

# SAS storm embassy, rescue 19 hostages and kill three gunmen

The siege at the Iranian Embassy was ended last night when a team from the Special Air Service Regiment stormed the embassy and rescued the surviving 19 hostages. The three Britons, including Police Constable Trevor Locke were

saved. Three of the Iranian gunmen died in the attack, one was injured and another captured outside the embassy. Explosions rocked the building and the crackle of gunfire reverberated as police moved in behind the soldiers.

## Two are shot dead as negotiations break down

By Stewart Tandler,  
David Nicholson-Lord,  
John Witherow and  
Nicholas Timmins

A team from the Special Air Service Regiment stormed the Iranian Embassy in London last night under cover of explosions and rescued the surviving 19 hostages, held by Iranian gunmen. Two other hostages had been shot dead earlier in the day.

Three of the gunmen died in the SAS attack, one was injured, and another captured outside the embassy.

The three Britons held by the Iranian gunmen, including PC Trevor Locke, the embassy police guard, were among the hostages who staggered from the building as smoke and flames enveloped it and automatic gunfire echoed in the street.

Ninety minutes after the siege had been lifted, Mr William Whitelaw, the Home Secretary, said he had ordered the SAS to strike after talking to Sir David McNee, the Commissioner of the Metropolitan Police.

Mr Whitelaw said: "The operation, and I think the people of this country and many in the world will think so too, was an outstanding success, and it showed we in Britain are not prepared to tolerate terrorism in our capital city."

The attack by the SAS, whose men are specially trained as a weapon of last resort in such situations, came on a day which started with police optimism which later turned to extreme pessimism for the safety of the hostages. Negotiations began in the morning, then around 2 pm it appears that things went seriously wrong.

While the negotiator was on the field telephone talking to the embassy, a number of shots were heard and three later turned out to be the executions of two of the hostages.

Deputy Assistant John Delow, the officer in charge of the police operation, said later the atmosphere in the embassy had changed "by way of suggestions of instability and irritation."

It is likely the police learned of this through the sophisticated microphones and miniature television cameras which they got close to the embassy during the six days of the siege.

During the afternoon Arab Ambassadors met Mr Douglas Hurd, Minister of State at the Foreign Office, to discuss the gunmen's demands made on Saturday that they should intervene as mediators with the British Government. At Prince's Gate, the police were attempting to discover the significance of the gunshots they had heard.

To try and placate the gunmen, Sir David, who was at the scene most of the day, wrote a letter to them which was put through the letterbox at the embassy. In his letter Sir David



One of the British hostages, Mr Sim Harris, a BBC sound recordist, scrambling to safety as flames billow from a window

explained his policy and the position of the police. "I am responsible for preserving the peace and enforcing the law in London and I do this independently of politicians and the Government. I and my officers deeply wish to work towards a peaceful solution of what has occurred," he wrote to them.

In the three-paragraph letter he urged the hostages and their captors not to feel threatened or frightened. He said: "It is not our way in Britain to resort to violence against those who are peaceful. You have nothing to fear from my officers providing you do not harm those in your care. I firmly hope we can now bring this incident to a close peacefully."

At 6.55 pm the questions surrounding the shots were answered when the body of a man was pushed out of the front door of the embassy. As police marksmen moved into the open for the first time, carrying rifles and automatic weapons,

two of their colleagues placed the body on a stretcher, put a red blanket over it, and carried it away.

Twenty minutes later, as negotiations shattered, three explosions shattered the silence and the SAS team was in action in the five-storey building. The police refused last night to say how many were involved.

As smoke and flames rose from the embassy the crackle of gunfire reverberated. Dozens of police officers moved in behind the soldiers.

At the back of the building a cloud of teargas rose and some officers advanced wearing gas masks. As the sound of the explosions died away a white flag appeared first at one window and then at another. Slowly the gunfire subsided and the hostages, men and women, were ushered from the building, many of them leaning against police officers for support. They were taken to St

Stephens Hospital, Fulham, where special medical facilities had stood by since the siege began at 11.30am last Wednesday.

Ambulancemen moved in as firemen fought the blaze from behind a high wall and the last signs of resistance were mopped up by police and soldiers. More than a dozen stretchers were taken into the embassy but, because of the success of the SAS and the police, few were needed.

A fleet of nine ambulances ferried at least 21 people from the embassy to St Stephen's Hospital arriving with lights flashing and sirens sounding over a 20-minute period from just before 7.30 pm.

Sixteen people, including four women, walked from the ambulances, one of them BBC sound recordist Mr Sim Harris, who waved his hands over his head and grinned as he greeted colleagues filming his safe arrival. He looked unharmed.

The other arrivals seemed to be Iranian, many of them pale and clearly shaken by their experience.

Of the stretcher cases one was brought in with a blanket half over his face. At least two others appeared to be unconscious.

One of the walking cases may have been one of the gunmen. Almost covered by a red blanket but with army boots and puttees showing beneath it, he almost ran into the hospital casualty department as police hustled him past photographers. One of the Iranian men, looking grey and shaken, raised his right hand in a gesture of defiance as he entered the hospital.

The casualty department entrance was ringed by pale, tight-lipped policemen.

One of the stretcher cases was a young, rootless man with streaks of blood on his legs.

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# Tito's widow returns from obscurity to pay final tribute

From Dossa Trevisan  
Belgrade, May 5

Mrs. Jovanka Broz, the widow of President Tito, made a dramatic appearance by her husband's coffin today—her first public appearance in almost three years.

"The wife of President Tito, Jovanka Broz," a state television announcer intoned as Mrs Broz, dressed in black, stood silently crying at his flag-draped bier inside a marbled parliament hall.

She stood next to Zharko and Misho, the sons of President Tito's previous marriages, receiving condolences from leading Yugoslav figures. She was somewhat forlorn and lonely as though she was not quite one of the family although she was the first to bow to the coffin, to lay the wreath and to stand in silence for a minute.

Mrs Broz seemed to have been dropped from all official functions and no mention has been made of her until this afternoon.

Whether they were reconciled or whether they were ever formerly estranged remains a mystery. But the fact that Mrs Broz attended the ceremony today suggests that the authorities for whatever reason there have been for excluding her from the limelight, are aware of public feeling and the questions being asked about the women who was at President Tito's side for 25 years.

The people of Belgrade gathered in their hundreds of thousands to pay homage to President Tito, who arrived as a war hero on October 20, 1944, and stayed as a ruler of modern Yugoslavia for more than 35 years. It was the largest demonstration of peace Belgrade has ever witnessed.

The President's body was brought from Ljubljana to Belgrade, by train. At the funeral the Duke of Edinburgh will represent the Queen and Vice-President Walter Mondale will represent the United States. World leaders attending will include Chairman Hua of China and Mrs Gandhi, the Indian Prime Minister.

Kremlin assurance: The Soviet Union declared today that it would never interfere in Yugoslavia's internal affairs (Michael Binyon writes from Moscow).

The assurance was given by the Soviet Communist Party and government in a message of condolence to the Yugoslav party and government. All the agreements reached during President Tito's lifetime on relations between the two countries would be strictly observed, it said.

The message, praised President Tito fulsomely, glossing over the bitter feud caused by his break with Stalin in 1948. "The Soviet people share the grief of the Yugoslav people," Soviet message, page 7

# How Lazard cashed in on new chief at British Steel

By Frank Vogl  
US Economics Correspondent  
Washington, May 5

Mr Disque Dean, a Lazard Frères partner, once joked about the high compensation he and his partners receive and told Fortune magazine that his bank was "the biggest racket on Wall Street."

The British Steel Corporation has appointed Mr Ian MacGregor as its new chairman, and the partners in Lazard Frères and in Russell Reynolds are laughing all the way to the bank.

Russell Reynolds, a top employment agency with offices across the United States and in London and Paris, was asked by the British Government last October to recruit a new BSC chief. It found Mr MacGregor and played a key role in negotiating his employment terms.

Mr Thomas Wise of Lazard left no doubt it had the British Government in a corner and considered it only right to press for as much cash as possible. "Do not overlook the fact that the British Government has been on a worldwide recruitment drive. They have been looking everywhere. British Steel's losses are tremendous," he said.

He implied that Lazard would suffer without the services of Mr MacGregor. Top United States corporate executives could expect to earn more than \$1m a year, and Mr MacGregor would receive no more than a modest share of the British payment to the firm. This share represented his limited partnership entitlement in Lazard. "There are no special deals of any kind with Mr MacGregor. He has not been here long enough to qualify for a pension. The money flows into the general coffers of the partnership," he said.

The way to look at this deal was in Hollywood terms. After all, if Robert Redford was under contract to MGM studios, and Columbia Pictures wanted Mr Redford for a film, Columbia would have to pay MGM.

Russell Reynolds also stands to make a handsome profit on the deal.

Generally the employer gives us one-third of the first year's compensation of the executive we recruit," one of the partners said of its commission. But he did not know the details of this arrangement, although he would not have been surprised if Russell Reynolds received some of the fee to Lazard Frères in New York.

Lazards is being paid \$675,000 for losing the services of Mr MacGregor for three years and it will get as much as \$1.13m in addition if Mr MacGregor performs well.

Lazard deals in the extraordinary and so this is merely another of a long string of sensational transactions in the company's 100 years of operation in New York.

It is a secretive, small and highly opportunistic bank. It likes to think of itself as a financial engineer, able to fix highly complicated and high-remunerative takeover bids and mergers.

Continued on page 15, col 3

# Iran hands over remains of US dead

Tehran, May 5.—The bodies of the eight American servicemen, who died in the attempt to rescue the hostages in Iran, were handed over today to a Greek Catholic Archbishop who said he would take them on a flight to Switzerland tomorrow for transfer to the United States.

The bodies were handed over to Archbishop Hilarion Capucchi, who was accompanied by Mr Eric Lang, the Swiss Ambassador, and the papal representative in Iran, Monsignor Annibale Bugnini.

The archbishop said he would fly with the bodies to Switzerland where he would turn the remains over to the International Red Cross for transfer to the families in the United States.

A Tehran radio broadcast said earlier that the archbishop would deliver the bodies to the Vatican. There was no explanation for the change in plans. However, Mr Capucchi has not been authorized to act for the Vatican.

The archbishop expressed gratitude to Ayatollah Khomeini for Iran's "humanitarianism" in handing over the bodies.

The Americans were killed when a helicopter and transport plane collided on the ground.

The Iranian Army announced tonight that they had discovered the one remaining missing helicopter left by American commandos in the southern Iranian desert during the failed rescue mission.

The Armed Forces Joint Chiefs of Staff said in a statement read on state radio in a helicopter was found in a remote location in the south of Kerman province, about 125 miles north of the Oman Sea.

The ill-fated military operation, intended to free the American hostages from the United States Embassy in Tehran, was launched on the night of April 24.—UPI

# US prime rates fall another 1%

Morgan Guaranty Trust cut the rate it charges on most creditworthy customers by 1 per cent to 17½ per cent and other banks cut prime rates to 18 per cent. The latest falls leave the Federal Reserve Board with a crucial decision: if the money policies are maintained or even tightened the 1980 recession will bite hard; if policies are eased there could be a currency crisis. The lowering of interest rates also forced the dollar down.

**Coloureds to have say**  
Changes in South Africa's political structure are to be announced giving Coloureds and Indians some say in the running of the country. The proposed constitutional changes will also strengthen the hand of Mr Pieter Botha, the Prime Minister, against conservative elements in his party.

**London transport cuts**  
London is threatened with cuts in its public transport because of the financial crisis facing the London Transport Executive. Bus services to outlying suburbs may have to be reduced or withdrawn and Underground stations closed.

**EEC ministers meet**  
European Community agriculture and foreign ministers held their first meetings in Brussels today since Mrs Margaret Thatcher's rejection of the offer made last week by the eight other member states to reduce Britain's contribution to the Community budget.

**Leader page 13**  
Attacks: On choosing a chairman for British Steel, from Dr Jeremy Bray, MP, and others; on education in London, from the Leader of the Inner London Education Authority; on justice for fraud cases, from Dr Michael Levi. **Leading article:** May Day. **Features, pages 7, 12** Bernard Levin on the TGWU's £5,000 gift to the Morning Star; Ivor Crewe adds a postscript to the local elections; Gibraltar and the EEC, by Nicholas Bethell; Fashion by Prudence Glynn.

**Home News, 2, 4** Book review **European News, 6** Bridge **Overseas News, 6, 7** Business **Appointments, 14, 18** Church **Arts**

# Make May 14 normal day, employers urged

The Confederation of British Industry called on employers to do all they could to encourage employees to turn up for work as usual on May 14. The TUC's "day of action" in protest against government policies would be "unwelcome, wasteful and irrelevant", Sir John Gresham, the president, said.

**Pope's plea to Congo**  
The Pope, in Congo on the second stage of his African tour, asked the Government to allow the Church to operate in full freedom and promised that it would not endanger the state.

**Thorburn takes title**  
Cliff Thorburn, of Canada, won the world snooker championship for the first time when he beat Alex Higgins, of Northern Ireland, in the final by 13 frames to 16.

**'Propaganda' criticized**  
Broadcasting experts criticized Mrs Thatcher's call for a "massive propaganda campaign" of a kind we have never mounted yet "to influence public opinion in the Soviet Union."

**TUC commendation:** Mrs Thatcher received backing from TUC officials for her tough stance at the EEC summit.

**Coup fails:** Mercenary leader executed after abortive Sudanese coup.

**Athens:** Mr Karamanlis elected President of Greece.

**Classified advertisements:** Appointments, pages 10, 22; Personal, 22-24; Sale Room and Antiques, 10, 22.

**Ship:** Rugby Union: British Lions receive boost to morale; Racing: Jockey suspended for careless riding. **Business News, pages 15-20** Financial Editor: Recession and recovery; Lord Group after the closure. **Business features:** Hugh Stephenson on the appointment of Mr Ian MacGregor as chairman of the British Steel Corporation; The Green Paper on monetary control is examined by Brian Griffiths. **Business Diary profile:** Sir Alex Jarratt.

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# Roman Catholic pastoral congress demands new look at sex teaching

From Clifford Longley  
Liverpool

The reexamination and fresh development of Roman Catholic official teaching on sex—particularly contraception, emerged as a strong priority from the National Pastoral Congress meeting in Liverpool yesterday.

The traditional Roman Catholic view that artificial birth control is wrong found few friends and the congress was unambiguous in demanding another look at the matter.

The issue, by far the most awkward on the whole congress agenda, was handled coolly and directly in the section dealing with marriage. Four propositions were put, each a successively stronger statement of the position against the present teaching, to test the strength of feeling.

There was overwhelming support for an extensive reappraisal of the teaching, with four of five delegates agreeing to a motion that that should "leave open the possibility of change and development."

About the same proportion agreed that there was a "need" for development and delegates seemed about equally divided on whether that necessarily meant a "change."

The gradation of feeling represented by the shift from "development" to "change" and development was illuminated by the motions virtually reasserting traditional teaching were proposed.

A motion maintaining that non-contraceptive sexual intercourse was the ideal for which every married couple should strive received only a handful of votes; a motion calling on couples to practise sexual abstinence as the proper way of regulating family size received the support of no more than about 10 per cent.

Bishops and clergy took part in the proceedings and Cardinal Hume listened to part of the discussion, which included forceful statements from lay

Congratulations  
to David Scott Cowper  
on sailing in  
with the record.



Text of statement, page 14



# Some moves on the football field could help you plan your next business trip.



The direct route is not necessarily the most efficient. A pass to the wing followed by an accurate centre may produce better results than a solo effort down the middle that ends in lost possession. Sometimes a backward flick may be the best way to set up a big move forward.

Naturally you are impatient of players who ignore these simple strategies. So make sure you do not forget them when planning your next business trip. Let Swissair put you in mid-field Europe in Zurich or

Geneva from where we will take you in superb comfort to your final destination - you have a choice of over 90 throughout the world.

London to South America is effectively served via Geneva. London to Peking via Zurich. You can even save valuable time. For example the fastest daily connection from Manchester to Istanbul is via Zurich. The Swissair network has indeed many benefits.

Your decision is clearly right from a tactical point of view. But there are even other advantages travelling via a

Swiss airport.

Your half-time breather can always be extended to take an excursion into the salubrious mountain air. (From June 1st, the Swiss Federal Railways will operate direct from Zurich Airport Station, only ten minutes by train to the centre of Zurich).

Win or lose, you will have played the game well. Can we help you to your next goal?

**SWISSAIR**



## HOME NEWS

# London faces Beeching-style cuts in transport over crisis caused by 20% rail wage pact

By Michael Baily  
Transport Correspondent

London is threatened by Beeching-style cuts in its public transport because of a financial crisis facing the London Transport Executive.

Buses may have to be heavily reduced or wholly withdrawn from some of the less densely populated areas in the suburbs such as Bromley, Kingston, Uxbridge, Harrow, Epping and Romford. Some of the least profitable extremities of the Underground may also have to be closed.

The immediate cause of the crisis is British Rail's 20 per cent wage agreement, which London Transport sees as a change of bettering in negotiations with the same unions. A settlement of that order would plunge the executive into a £30m to £70m deficit over the next two years, even after the recent swinging 19 per cent fare rise.

A further increase in fares this summer seems inevitable; but there are ominous signs of passenger resistance after the latest one. Underground traffic, which has held up well through successive fare rises in the past few years, has dropped by 10 per cent on some services in recent weeks. The scope for the summer is probably limited, therefore, to no more than 10 per cent, and even then only on selected services where the hapless commuters are least likely to be driven away.

That will still leave a substantial shortfall for an organi-

zation which, having used up the last of its reserves to meet a record £31m loss last year, is like the Port of London, technically bankrupt and kept going only by the prospect of extra finance from central and local government.

Such a course presents grave difficulties, however, for the Tory administration at County Hall, which faces an election next spring and which has laid great emphasis on trying to bring LT under financial control.

Even before the crisis it had reached the point of acrimonious public exchanges between Sir Horace Cutler, leader of the Greater London Council, and Mr Ralph Bennett, LT chairman.

The council provided LT with more than £160m last year: £60m for depreciation and renewal, £51m for fares relief, £28m for special capital investment, and £24m for free travel for pensioners.

Even if County Hall wanted to do a U-turn and sharply increased its subvention to LT, it would find it difficult to do so since the council, like LT itself, is under strict Government-imposed financial limits.

Apart from increased fares and grants, the other options are improved productivity and reduced services.

There is certainly scope for improved productivity over a period, as the controversial "Chapman" report emphasized last year, but LT faces stubborn union resistance to measures like extending one-

man operation on the Underground.

Many of the potential productivity gains can be achieved only with new capital equipment; further extension of one-man operation on the buses, for example, must largely await a new fleet of vehicles in 1984-85, which will then release 7,000 conductors, or more than 10 per cent of the 60,000 work force.

For the time being, manpower shedding must be primarily in the somewhat limited areas of administration and overheads.

From the foregoing it is difficult to see how some cuts in services can be avoided, and from LT's point of view the obvious places to make them are in the outer suburbs, where traffic is thinnest and losses are greatest.

Ironically, it is in those areas, where streets are relatively uncluttered and staff relatively available and amenable, that the services are most satisfactory in every respect except the financial.

Ironically, too, the political complexion of the suburbs tends to be true blue, a further complication for politicians at County Hall.

Other possible options include the reduction of peak hour frequency on the Underground, an earlier evening shutdown, a raising of the child fare from 8p to 10p and a charge for the pensioners' free travel permit on the lines of British Rail's senior citizens' rail card.

## Cut in travel aid affects local arts

By Martin Huckerby  
Theatre Reporter

Many parts of England are being deprived, because of cuts in spending, of a scheme which aids people in more isolated areas to travel to arts events.

More than half of the regional arts associations in England have stopped their transport subsidy schemes because of financial difficulties.

For most of the associations it was a choice between cutting the subsidy for people travelling to arts events or cutting

the arts activities. As the Merseyside Arts Association put it: "The priority was to ensure that there were still arts for people to see."

Some associations felt that the scheme had been a worthwhile incentive, attracting bigger audiences for theatres, concerts and other events, but that now, given the high cost of tickets, an extra 40p or 50p on the cost of travel would not deter people from making a trip.

Several associations regretted having to stop the subsi-

dies. Northern Arts said: "It does have a social significance. It helps people in rural areas to reach big centres."

When introduced, the subsidy helped to build audiences for new arts activities.

Now some associations are trying alternative methods of increasing audiences. Southern Arts will be devoting £4,000 this year to marketing schemes, while Lincolnshire and Humberside will spend £1,000 to help parties of school children travel to arts events out of school hours.

## TUC backs Thatcher stand on EEC budget

By Donald MacIntyre  
Labour Reporter

The Prime Minister has received a rare commendation from Trades Union Congress officials for her tough stance at last month's European Economic Community summit in Luxembourg.

The British Government was right to reject the compromise proposals on the reduction of Britain's contribution to the EEC budget, a TUC paper that will go before senior union leaders tomorrow states.

The TUC's economic committee is told in a reduction in the proposals on offer "would have provided only a short-term solution and the Government was right to reject them."

The union leaders are reminded that the compromise proposals were for a reduction in the United Kingdom's net contribution to £328m this year. Under that proposal, the paper says, the United Kingdom contribution would have been £418m

in 1981 "after which the proposed arrangements would lapse."

While the outcome of the summit from a British point of view was "unsatisfactory", the British Government is said to "appear to have grasped the intimate connection between the reform of the common agricultural policy and reducing the United Kingdom's excessive net contribution to the EEC budget."

The committee is advised to emphasize that the linking of the budgetary question to a particular level of increase in farm prices is "unacceptable".

The extent to which the praise for the Government is confined to the issue of the budget contribution is underlined when the TUC economists say that "once again" the heads of the Government "failed entirely" to take action to combat rising unemployment throughout the Community.

## 'Big benefit cuts' under curbed Bill

By Pat Healy  
Social Services Correspondent

The Government is accused today of stifling discussion on legislation "that will turn the clock back for the welfare state to the pre-war years."

Condemning the introduction today of the guillotine debate on the Social Security No 2 Bill, the Child Poverty Action Group says it will mean significant losses for about 1,750,000 claimants. Cuts in national insurance benefits would drive more and more people on to means tested benefits.

"Such fundamentally retrogressive measures require the closest scrutiny and fullest consideration," Miss Jean Cousins, deputy director of the group, says in a statement.

The Bill's main purposes include cutting benefits for strikers' families.

## Increased grant ends Cottesloe studio's fears

By Our Theatre Reporter

Fears that financial difficulties might lead to the closure of the National Theatre's Cottesloe studio have ended because this year's Arts Council grant to the theatre has proved sufficient to maintain all the company's activities.

The grant for 1980-81 is £495m, an increase over last year of about 9 per cent; but since last year's grant included a special amount to enable the theatre to take over its lease, this year's grant represents an increase of perhaps 22 per cent for the theatre's activities.

## Armed SAS and police storm embassy to free hostages

Continued from page 1

Casualty staff supervised the arrivals as extra nursing staff jumped from cars to enter the hospital.

Relatives and friends of the hostages began to arrive outside the hospital, some of the women puffed-eyed and anxious for news. They were escorted through the police cordon outside the hospital.

A police inspector outside St Stephen's Hospital said the hostages were all right. "They have got things like shock and cuts, that type of thing," he said. But there appeared to be no serious injury.

Police were taking detailed statements from the witnesses before allowing them to see friends and relatives.

In the aftermath, as police officers searched the embassy and firemen cleared away the debris, the police explained that the SAS moved in after all other options had been tried.

At one stage in the afternoon, as the terrorists began to talk about killing hostages at the rate of one every half hour, the police brought in a mullah to plead with the men inside.

When Sir David's letter was handed to the men, Sir David was read it to the gunmen carefully and clearly, trying to impress upon them who Sir David was and what the letter meant.

Mr Whitelaw, asked about the decision to send the SAS, said: "It was only when it was clear that failure to take further action was going to cost lives that the commissioner recommended to me that the further decision should be taken and I thoroughly approved of what he did."

He said it was "an operation which will be seen, I believe, to be in the very best

standards of our British police service in this country."

In the distance, as he spoke, could be heard the chants of the Iranian demonstrators and counter-demonstrators who were a major feature of the scene around the siege for the first two days. Last night they were back in force once again to chant their loyalty to Ayatollah Khomeini or their opposition to him.

The Iranians gathered quickly in groups outside the Albert Hall, a few hundred yards from the embassy, after the end of the siege and were kept separate by police from hostile crowds lining the railings inside Hyde Park who swapped insults and slogans with the Iranians.

Police later grouped in strength in the area and brought in 40 mounted police to prevent a recurrence of the fighting that broke out last week. However there was no violence last night.

About 200 supporters of Ayatollah Khomeini then held what they described as a unity meeting to offer prayers for the victims who died in the siege.

They remained outside the Albert Hall for much of the evening, flanked by police and television lights, continuing to chant "Long Live Khomeini" and varying this with political slogans such as: "Carter is a murderer, Carter is a torturer."

Three hours after the explosions the fire at the embassy had still not been extinguished. Six water sprays, including two from a giant pump escape, continued to spray the front and rear of the embassy building.

The sudden and dramatic end to the siege was almost unexpected. For the first five days of the siege it appeared at least publicly that things

were going well between four police negotiators led by Supt Fred Luff and the gunmen in the embassy claiming to represent an organization called the Group of the Martyr.

The initial demands were for the freeing of 91 prisoners arrested after trouble in the Iranian province of Khuzestan, known also as Arabestan. The oil-rich province, in the south-west of Iran, is Arabic-speaking and has been demanding autonomy.

The gunmen also demanded an aircraft for themselves and their hostages.

The first inkling that things might not be going as well as the police suggested came when the gunmen demanded at the weekend the intervention of the Arab diplomats. The statement they issued suggested that they may have been demanding the appearance of the ambassadors for some time and they wanted them to force the issue of a flight out of Britain.

The other indication of possible trouble was the fact that the gunmen had refused all offers of food since Saturday night. A number of hostages had suffered from stomach upsets and, in the suspicious minds of the terrorists, this may have been linked to the food sent in.

Behind the scenes there was a deterioration to the atmosphere of the dangerous first few hours of the siege on Wednesday.

Shortly after 11.35 am that day Police Constable Locke, armed with a revolver, was on duty at the steps of the embassy at No 16 Princes Gate, when he was suddenly hustled inside by one of the gunmen. Another four terrorists swiftly followed the couple in and captured a total of 25 hostages, including Mr Chris Cramer, a BBC news

organizer, and Mr Sim Harris, a BBC sound recorder.

The two men were applying for a visa and one of them was so astonished by the gunmen that he asked if he could go outside and feed his parking meter. The other Briton in the embassy was Mr Ronald Morris, a clerk.

The other hostages included senior Iranian diplomats, among them the head of the mission, a Syrian journalist and a Pakistani.

As police arrived at the scene and began cordoning off the area the gunmen issued a deadline of 24 hours for their demands and threatened to blow up the embassy if they got no response.

As Mr Luff stood outside trying to make contact with the gunmen, they told the world of their demands by telephone and telex. It was a tense first day and night but, at 12 pm on Thursday, the deadline passed as the negotiators were talking to the gunmen.

Then the gunmen suddenly

announced an extension of the deadline for another two hours "in the interests of humanity." That, too, passed without incident.

By this time the gunmen had released the first of five hostages.

In the first few hours of the siege they released an Iranian girl, who staggered from the embassy. She was in shock.

On Thursday afternoon they released Mr Cramer, who was taken to hospital with a stomach infection. Mr Cramer had been instrumental apparently in putting out the gunmen's demands to the world.

Mr Mustapha Karkouti, the Syrian journalist, had also telephoned the BBC world service on the gunmen's behalf.

But by Friday it seemed the gunmen were not happy that their demands or their case was reaching the world. Mr Anthony Crebb, a senior BBC executive, stood outside the embassy and tried to assure the men that their case was being presented.

## Iran's president to thank British police for effort

Tehran, May 5.—President Abolhasan Bani-Sadr is to send a message thanking the British police for their handling of the six-day siege of his country's embassy in London, his press spokesman said last night.

Mr Mousavi Garmaroudi said: "The president is sending a telegram to his Thatcher thinking her for the action of the police and their intelligence."

Mr Garmaroudi said the message would be transmitted through the British Embassy in Tehran.

President Bani-Sadr said in a broadcast statement that the British Embassy had informed him of the death of one hostage and the death of three of the gunmen, who captured the embassy, when the building was stormed by British security forces.

"God bless the martyr of the Islamic Republic and the independence and freedom of Iran," President Bani-Sadr said, referring to the dead hostage.—Reuter.

## Tiny enterprise jeopardized by breakdown of multimillion pound contract for Britain's first ironclad warship

## 'Miracle' is only survival hope for steam engine restoration company

By John Chartres

Locomotion Enterprises, a tiny Gateshead company that specializes in restoration and building exact copies of historic steam locomotives and other machinery, may have to cease trading in the autumn.

The prospect, which is being viewed with dismay by the growing army of steam railway enthusiasts, comes after a breakdown in provisional arrangements for the company to handle the multimillion pound restoration of HMS Warrior, said to be Britain's first ironclad warship, which was bought recently from the Royal Navy by the Maritime Trust and is lying in dock at Hartlepool, Cleveland.

A recent meeting of five of the six shareholders in Locomotion Enterprises was told that losses from the breakdown of the HMS Warrior contract amount to about £28,000, and that a further £100,000 may have to be found for redundancy payments to employees.

The shareholders' recommen-

dation that trading will have to cease on September 30 "unless a miracle takes place" emphasizes, however, that the company will honour its commitments to the organizers of this summer's events marking the anniversaries of the Rainhill Trials, won by Stephenson's Rocket, and of the opening of the Liverpool to Manchester railway.

Thousands of steam railway enthusiasts from all over the world are expected to attend those celebrations, which begin later this month and go on until the autumn.

Locomotion Enterprises was founded by Mr Michael Satow, a retired ICI engineer, to build a working copy of Locomotion for the 150th anniversary of the Stockton to Darlington railway, and subsequently built a working copy of the Rocket, which is owned by the National Railway Museum.

The company is completing a copy of Novelty, another entrant in the Rainhill Trials, and has been giving technical advice to the British Rail

workshops at Shildon, Durham, on the construction of a copy of a third contender, Sans Pareil.

The company is also making copies of some of the original Liverpool and Manchester rolling stock and has recently installed a reproduction of the Victorian passenger steam launch, Gondola, which the National Trust has restored on Lake Coniston.

A spokesman for the shareholders promised that the last commitment would be honoured as well; the engine is due to be tested under steam soon and the vessel is to make her inaugural voyage on June 24.

Vice-Admiral Sir Patrick Bayly, the director of the Maritime Trust (whose president is the Duke of Edinburgh), said that what had been an "arm's length" agreement for Locomotion Enterprises to handle the ship's restoration, estimated to cost anything up to £8m, had not been formally con-

cluded because of legal difficulties arising from a charitable organization employing a commercial, profit-making one.

He said that the restoration task would go ahead, although it might be even slower and more expensive than had been expected.

Anxieties have been expressed in Hartlepool that the project (which has given much hope to the depressed seaport, with a 13.5 per cent unemployment rate) might be moved elsewhere, but Admiral Bayly said there were no plans to move the 418ft ship, which has become a tourist attraction.

He expected that between 30 and 40 people would be permanently employed and hoped that arrangements would be made to open the ship to the public at weekends if enough volunteer guides came forward.

The Warrior project is now being handled by a subsidiary of the Maritime Trust, called the Ship's Preservation Trust, which has taken over offices in Hartlepool's old Custom

House, which had been acquired and refurbished by Mr Satow and his team.

Initially the financial arrangements are still being underwritten by the Manifold and Landmark Charitable Trusts, a wealthy charitable organization headed by Mr J. L. E. Smith, former Conservative MP for the old City of London and Westminster constituency, but with the Maritime Trust still responsible eventually for raising the bulk of the money.

Unless there is a rescue operation, one of Mr Satow's long-term dreams, the establishment of a permanent "heritage workshop" on the quay at Hartlepool after the Warrior departed for a permanent berth in Portsmouth, seems doomed.

One of his objectives in founding Locomotion Enterprises was to give skilled engineering training and experience to young unemployed people in the North-east, and he envisaged the creation of at least 100 permanent jobs at such a workshop, which would have under-

taken work on all forms of historic machinery.

The future of 40 young men employed at the company's original base at Springwell, near Gateshead, is also in jeopardy.

The Transport Trust, another organization recently founded to promote the preservation of historic rail and road vehicles, said that the possible demise of Locomotion Enterprises would be a tragedy for the nation, and he sincerely hoped a rescue operation could be mounted.

The Locomotion Enterprises shareholders claim that the company has been let down after having expended a considerable sum of money in advance of a contract being signed and that a gentleman's agreement has been breached.

A 20-page report on the events has been drafted, which the shareholders hope will eventually come before the eyes of the Duke of Edinburgh, Mr Edward Leadbitter, Labour MP for Hartlepool, is being kept informed of events.

"Makes the difference between stagnation and being part of the living world"

—says 75 year old

Like too many old people she was very depressed by loneliness. "There's a limit to the conversation you can have with a dog," she said.

A Day Centre is what she longs for—somewhere cheerful to go, where she can meet other older people, have a friendly chat and a cuppa. A minibus with a volunteer driver would be an even greater blessing, for she's frightened to go out alone in her district, and there are others for whom arthritis and other troubles make it difficult to walk far.

So what stops Emma being part of the "living world"? Simply lack of funds for Help the Aged to start more centres—just as we need money for minibuses for volunteer drivers, and for Day Treatment Centres.

£5 is a real help towards another Day Centre.

£30 helps provide a Geriatric Day Hospital.

£150 inscribes the name of someone dear to you on the Dedication Plaque of the Day Centre it helps.

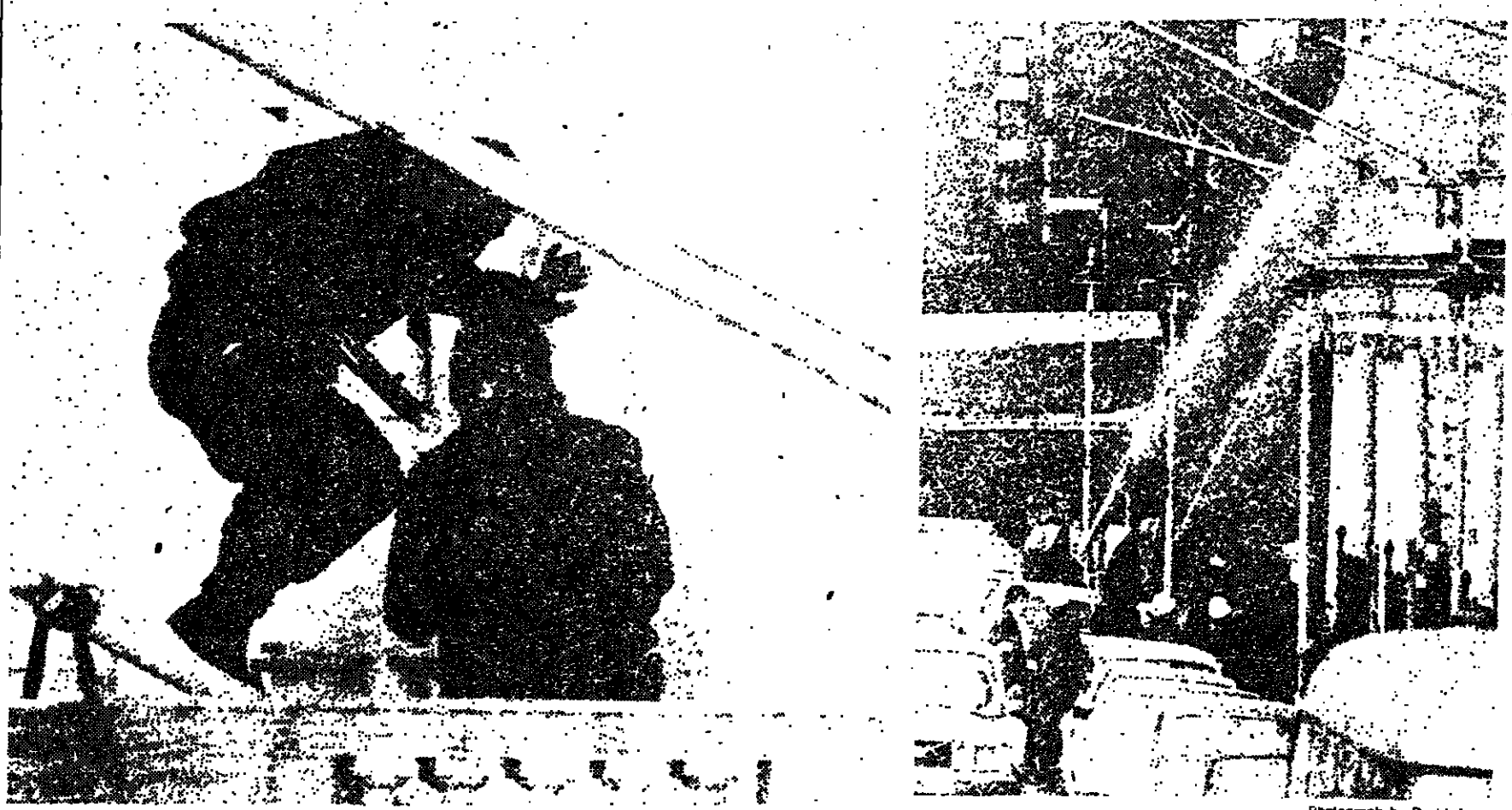
Please send your generous gift to:

Hon. Treasurer, The Rt. Hon. Lord Maybray-King, Help the Aged, Room T2, FREEPOST 30, London, W1E 7JZ. (No stamp needed).

\* Please let us know if you would like your gift used for a particular purpose.



Armed police officers taking cover as bursts of gunfire erupt from the embassy in Prince's Gate, Kensington, yesterday.



Armed members of The Special Air Services Regiment during the assault on the embassy. Firemen tackling the blaze after the explosion.



يمكننا ان نعمل



# We've just had a record year. Come and share in Ford's success.

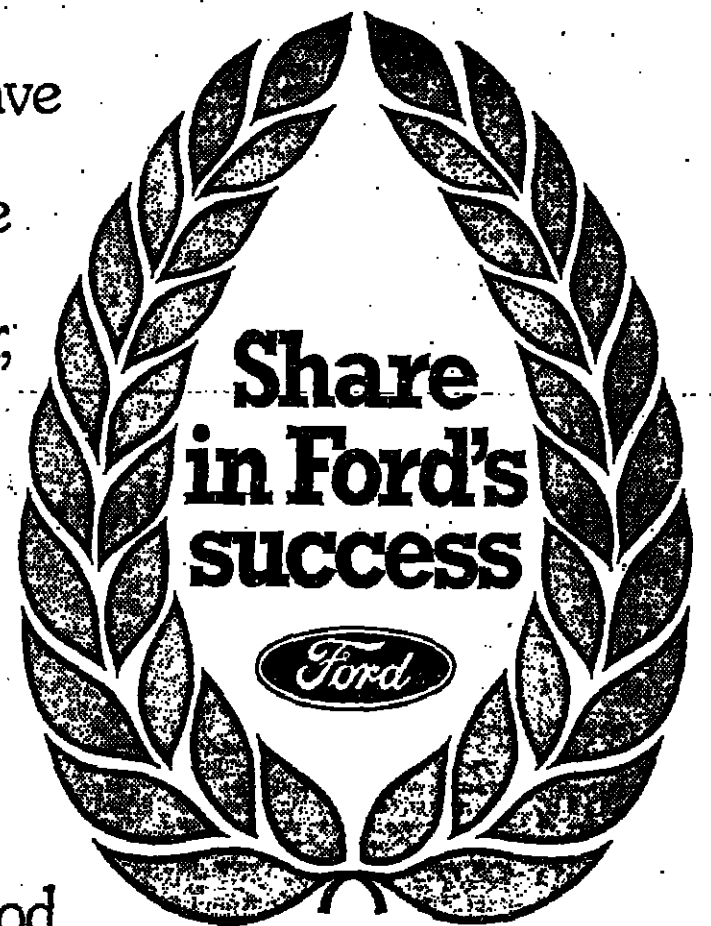
At long last supplies of new Fords have caught up with demand.

Now dealers have cars for immediate delivery.

So having had such a successful year, we'd like you to share in it.

That means that if you buy any new Ford car during May or June, your Ford dealer should be ready to give you a good deal on your old car. And favourable terms on the new one.

Why not pop in to your nearest Ford dealer and see what he can do for you. We're sure you'll find him in a generous mood.





WEST EUROPE

# Amsterdam relives liberation of 1945

From Robert Schull  
Amsterdam, May 5

Amsterdam was "liberated" by the Canadians this morning. They rode in town in Second World War Jeeps, lorries and armoured vehicles following the same route as they did in May 1945 and distributing cigarettes and chocolate to the thousands of Amsterdam people, who once again came out to cheer them.

The Netherlands today celebrated the surrender of German forces thirty-five years ago ending, almost to the day, five years of harsh occupation.

About 350 veterans, who helped to liberate the Dutch capital are in the Netherlands for a week at the invitation of the "Amsterdam Thanks its Liberators" foundation, which is chaired by Mr. Wim Fokk, the Burgomaster of Amsterdam.

The southern part of the Netherlands was liberated shortly after Belgium in autumn 1944, but the northern part of the country known as "Fortress Holland" which included the main cities Amsterdam, Rotterdam and The Hague, had to first suffer one of the worst winters on record. It became known as the "hunger winter".

## Mercenary executed after Surinam coup attempt fails

The Hague, May 5.—A group of mercenaries apparently tried to stage a coup in the former Dutch colony of Surinam last week but they were caught and their leader was executed. The attempt came just over two months after junior army officers took power in the South American state.

A spokesman for the Dutch Foreign Ministry said today that the executed leader was a 56-year-old Dutchman. He did not know how many other mercenaries were involved or what happened to them after they were intercepted by Surinamese forces as they crossed from French Guiana.

The Rotterdam evening newspaper *NRC Handelsblad* reported that there were 300 mercenaries in the force, including Belgians who had served in the

# Ministers ready to test political temperature after Thatcher rejection of EEC budget offer

From Michael Hornsby  
Brussels, May 5

Meetings of EEC Agriculture and Foreign Ministers here tonight will be the first test of the political temperature after Mrs Margaret Thatcher's rejection last week, as inadequate, of the offer made by the other eight member states to reduce Britain's contribution to the Community budget.

The Prime Minister's statement that Britain will veto any agreement on farm prices, fisheries or lamb until a satisfactory budget settlement has been secured has caused considerable resentment and led to suggestions that the eight might seek legal ways of bypassing the British roadblock.

British sources are not taking this threat too seriously. Nor do they appear unduly alarmed by reports from Bonn that Herr Helmut Schmidt, the West German Chancellor, has withdrawn the budget offer rejected by Mrs Thatcher in Luxembourg.

and now considers the whole dispute to be "back at square one".

It is acknowledged that, under the Treaty of Rome, a decision to raise farm prices could be implemented legally by a majority vote of the Council of Ministers. But such a vote would run counter to the political understanding of the past 15 years that such matters require the unanimous approval of the Council.

However anxious they may be to get a farm price deal, the French, it is argued, would be the last to want to undermine an understanding of which they were the authors and of which they have always been the staunchest defenders.

The Italians, who currently hold the EEC Presidency and have an important role in shaping tomorrow's discussions, are against confrontation. They believe the EEC should seek to build on the considerable progress made at the Luxembourg summit.

British sources leave little doubt that any attempt to ride roughshod over a British veto would be regarded as an open provocation and might activate Mrs Thatcher's "last resort" weapon: the suspension of British value-added tax payments to the budget.

There is confidence in British circles that some other member states at least will want to reconsider the implications of the farm price package they agreed to under pressure last week in Luxembourg.

British hopes are concentrated mainly on changing the lamb element of the package. The currently proposed system of price support, coupled with export subsidies to get rid of the surpluses, made unavailable by the resulting high prices, is regarded as unwelcome and unacceptable price to pay for helping inefficient French sheep farmers.

## Unions plan protest over arrest of French officials

From Our Own Correspondent  
Paris, May 5

All five unions representing French customs officers announced today that they plan taking "spectacular action" later this week to bring pressure on the Government to obtain the release of two officers who have been held in a Swiss jail for the past three weeks.

The two officers, M. Pierre Schulz and Bernard Rul, were arrested on April 15 at Basle railway station where they had gone to meet an informer

who had offered to produce evidence about alleged traffic in currency between France and Switzerland.

The investigation into the activities of the two customs officers, expected to be completed by the end of this month (Alan McGregor writes from Geneva).

This is seen to mean that the two men have been detained in prison, one at Bern and the other at Delp, will then be formally charged and released.

## Students of French left close ranks

From Ian Murray  
Paris, May 5

Three left-wing student unions buried their differences sufficiently over the weekend to form a nationwide body. It has taken nearly 10 weeks to remake the alliance, which fell apart in political disorder in 1971.

The new movement has about 40,000 members compared with more than 100,000 who were in the old movement when it was founded in May 1968, was strong. The first aim of the new grouping, therefore, is to increase membership.

Although the strong communist unions are not included in the new alliance, its political spectrum is wide, ranging from Trotskyists through socialists to nominal left-wingers. In the past three days their 600 delegates have shown in their debates at Nanterre University that they still have profound disagreements.

At the same time the delegates have agreed that the unit was paramount if students were to meet the challenges facing them, particularly the stricter government controls on foreign students coming to France.

The first of these controls were announced in December 1977, and required foreign students to obtain a visa before their arrival in France, to prove they had an income over 8,000 francs (£800) a year and to pass a diploma after three years of studies.

New controls, announced last December, include a French language examination before a visa is granted, a requirement to complete enrolment formalities six months before the start of the university year, and the creation of a national commission to send foreign students to universities anywhere in France, depending on the availability of places.

These controls have led to protests in the universities. In Caen 18 policemen were injured in clashes with students. In Grenoble last Friday 50,000 student dossiers were burnt in a building occupied by students.

The student leaders regard the measures as racially biased and a violation of the spirit of the French tradition of granting asylum to foreigners. The next conference agreed by a large majority to poll members on whether to strike in support of foreign students.

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OVERSEAS



Lord Carrington chats to Mr Edmund Muskie in the Senator's Washington office before meeting President Carter.

## Mr Carter thanks Britain for its support

Washington, May 5.—President Carter opened his talks with Lord Carrington today by thanking the Foreign Secretary for his government's support.

"You have been so supportive," Mr Carter told Lord Carrington who witnessed the start of their talks in the Oval Office in the White House.

"It's good to have strong allies," the President said, apparently referring to British backing for the United States in the Iran and Afghanistan crises.

Lord Carrington replied: "What are friends for?"

United States efforts to take tough economic and political reprisals against Iran for holding 50 American hostages and against the Soviet Union for its military intervention in Afghanistan were to be a major topic of Lord Carrington's talks here this week.

The European Community has set May 17 as the date on which it would apply economic sanctions against Iran.

Mr Carter, who said last week the Iranian crisis has now become manageable enough for him to resume political travels, delivered a speech before the national convention of the League of Women Voters today in which he did not mention Iran at all.

League members, moreover, did not ask about the hostages or the ill-fated United States rescue mission—an indication that efforts to resolve the crisis may now be shifted from the public arena to quiet negotiations.

The Foreign Secretary, who met Senator Edmund Muskie, the Secretary of State designate, this morning before calling on President Carter, said earlier today that further military

moves against Iran could have adverse effects.

Calling for American patience, he said Western Europeans were sympathetic to American concerns about the hostages but were worried about other regional issues such as Afghanistan, the Arab-Israeli conflict and the future of Iran itself.

Lord Carrington said he thought the aborted hostage rescue mission last month set back the eventual release of the Americans. "I don't believe there's anything very significant one can do in the next two or three weeks," he said.

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## Knesset uproar over Hebron deaths

From Moshe Brilliant  
Tel Aviv, May 5

The Knesset in Jerusalem was thrown into an uproar this afternoon when a former chief of staff said the murder of six Jews in Hebron by terrorists on Friday night would not have occurred if Jews had not been living there.

The claim was made by Mr Haim Barlev, a Labour Party Deputy. Amid shrill protests from government benches and from the opposition, he said: "Had women not been living there, what happened on Sabbath eve would not have occurred."

The Labour Party which established Jewish settlements in the West Bank when it came to power in 1977, opposes settlements in densely populated Arab areas such as Hebron, a city of 60,000 which has had no Jews since an Arab pogrom in 1929.

Friday's victims were mostly Yeshiva students from Kiryat Arba, an all-Jewish area north of Hebron. They had been on their traditional Sabbath eve visit to women and children who had squatted in an all-Jewish clinic in the heart of Hebron on April 27 last year.

The ignored Government requests to move and official pressure to do so gradually eased. Eventually, the authorities gave the women facilities including a permanent guard.

Tougher policies introduced last week were evidence to day as soldiers compelled striking shopkeepers in Haiboul to open for business. Tyre burners and demonstrators in Ramallah and El Eireh were dispersed and detained and tear gas was used to break up a school girls' demonstration.

Fearing further government reprisals against Arab political leaders, four Palestinian leaders today obtained an interim injunction from the Supreme Court in Jerusalem preventing them from being expelled.

Talks suspended: The head of Israel's delegation to negotiations on Palestinian autonomy said today that the trip to Egypt's request until further instructions were received.

Insurgent Radio reported—Agence France-Press.

## President's pledge to defend poor

From Our Own Correspondent  
Washington, May 5

President Carter made a strongly liberal speech here this morning, restating his commitment to social welfare, to controlling unemployment and to improving the condition of the cities. He reaffirmed his commitment to protecting the environment, passing the equal rights amendment, and saving various programmes for minorities that face trouble in Congress.

The most important is the food stamp programme, under which 21 million people get subsidised food. Conservatives in Congress are trying to reduce the programme, and it is due to expire in May 75. If Congress does not appropriate funds for it.

Mr Carter was addressing the annual convention of the League of Women Voters and was asked repeated questions about the effects the recession would have on welfare programmes.

He sounded almost like Senator Edward Kennedy in his fervent defence of the needy, pointing to the Government's efforts to mitigate the effects of the recession on cities and minorities.

In the context of the need to protect the poor from the effects of the recession, Mr Carter described with pride his success in preventing Congress from taking \$5,000m (£2,300m) from welfare and adding them to defence.

Asked about the prospects of the Salt 2 Treaty, he said he was determined to get it ratified during his term in office, presumably meaning the next four or a half years. The United States would abide by the terms of the treaty, so long as the Soviet Union did, even before it is ratified.

Then he said: "We are prepared to move forward on theatre nuclear force discussions, which affect medium range missiles, and also to commence work on Salt 3."

"This is a deep commitment of mine and I am determined that before I go out of office I will have successfully concluded the negotiations with the Soviet Union to drastically reduce nuclear weapons with the goal of eliminating nuclear weapons completely from the face of the earth."

He said that he was bound to enforce the laws, and then said: "It is important to me to treat the Cubans with the same degree of compassion and understanding and with the same commitment to the law as we do the refugees from Haiti and from other countries."

In fact Haitians are being treated much more severely than Cuban refugees. The United States is trying to keep the Haitians out, and appears to have given up all attempts to restrict Cuban immigration.

Death toll: The death of a woman on Sunday raised the toll in two weeks of "freedom flights" to seven as Cuban refugees streamed across the Florida Strait in record numbers, the United States Coast Guard said in Key West today.

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## Ugandan Government bans parties from campaigning

From Our Correspondent  
Nairobi, May 5

The Ugandan Government has formally banned individual political parties from campaigning for the elections due by December.

Both the Uganda People's Congress (whose leader, Dr Milton Obote, the former President, has lived in exile in Tanzania since 1971), and the mainly Roman Catholic Democratic Party, had said they would insist on campaigning.

The Government has now issued a statement saying that all political activity must be conducted by the ruling Uganda National Liberation Front, and not by any of the parties who formed the front early last year.

A broadcast announcement said: "Political rallies will be held only by permission of the front's secretariat or its local branches. Any meeting contravening this guideline will be illegal."

The decision to bar individual political parties was taken by the National Consultative Council (Uganda's interim Parliament), but there is no bar on individual Ugandans standing for election as members of the front.

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## North Rhine-Westphalia rehearsal for Bonn contest

From Patricia Clough  
Bonn, May 5

He is everywhere: amid the glass towers of Düsseldorf, the coalmines of the Ruhr, the sleepy villages of Westphalia. Good looking, tanned, tough and confidence-inspiring, the face of Helmut Schmidt urges everyone to go and vote.

The fact that the West German Chancellor is not actually up for election himself is irrelevant: his future and the future of Herr Franz Josef Strauss, his challenger, will be largely decided here next Sunday.

All eyes are on the North Rhine-Westphalia Land parliament elections. Involving nearly a third of West German voters who reflect almost exactly the social and political make-up of the national electorate, the elections are a dress rehearsal for the Bundestag elections in the autumn.

If the opposition Christian Democrats succeed in ousting the Social Democrat-Free Democrat coalition in Düsseldorf on Sunday there is every chance that they can take over in Bonn in October.

Moreover, a Christian Democrat victory in North Rhine-Westphalia would give the party a two thirds majority in the Bundestag, the upper house of parliament composed of Land representatives, making it virtually impossible for the Chancellor to govern without their consent.

Failure would depressingly confirm the gut feeling among many Christian Democrats that they are destined to lose again in the autumn and could prompt members to ask even louder whether Herr Strauss should continue as their chancellor candidate.

At present, polls show, most people are certain that the SPD-FDP will win again—although this is very uncertainly. The fact that the Social Democrats are traditionally less active voters than Christian Democrats and the feeling that the election is all down to may stop many from making an effort to turn out, party officials fear. During the final days the SPD will be warning their supporters that the outcome is "on the razor's edge".

Another unknown factor is the death, three weeks before polling day, of the Christian Democrat leader, Herr Heinrich Köppler.

His death has left the CDU with Professor Kurt Biedenkopf, an intellectually brilliant but highly controversial politician. Herr Biedenkopf has upset many people by publicly criticising housing and full employment policies and, having helped Herr Helmut Kohl to become the CDU's Chancellor candidate, is dropping him to support Herr Strauss.

Herr Biedenkopf is now stuck with Herr Strauss who could cost him valuable votes at the election or, as he puts it, "prevent us from realizing our full potential".

Herr Strauss has been a godsend to the Social Democrats

who are mobilising their supporters with the line "stop Strauss before it is too late". The fact that Herr Strauss is cultivating a modicum of middle class image makes little difference, his controversial past provides ample ammunition.

But the real issue worrying the voters, SPD and FDP leaders say, is the fear of war, and of losing all they have achieved. In the past 30 years North Rhine-Westphalia has built their Land up from a mass of ruins to an economic power house producing 10 per cent of the Federal Government's combined gross national product.

So far, there is no evidence that the voters believe Herr Strauss could cope with the international situation better than Herr Schmidt.

Clearly aware of their disadvantage on the national level, the Christian Democrats are campaigning hard on local issues, attacking the sometimes tired performance of the Federal Government led by Herr Johannes Rau, a cheery, likeable bachelor who lacks the gift for taking personal gain from his undoubted political skill.

The new ecological "green" party, after spectacular successes elsewhere, appear unlikely to gain more than 3 or 4 per cent on Sunday. Their cause arouses little response in an area where unemployment is a big concern and nuclear power is essential to keep big industry going.

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The new ecological "green" party, after spectacular successes elsewhere, appear unlikely to gain more than 3 or 4 per cent on Sunday. Their cause arouses little response in an area where unemployment is a big concern and nuclear power is essential to keep big industry going.

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## European Law Report

### Irish woman's sickness benefit claim in Britain

Between Coonan, appellant, v The Insurance Officer, respondent

Case no 110/79. Preliminary ruling under article 177 of the EEC Treaty on a reference by the National Insurance Commissioner, London, judgment of the Third Chamber of the Court.

Before the president, Judge H. Kucner, President of the Third Chamber, and Judges J. Mervin de Wilmars and Lord MacKenzie Stuart. Advocate General: R. Mervin.

Judgment given on April 24, 1980. Mrs Una Coonan, the claimant, of Irish nationality, attained the age of 60 on April 30, 1971. On March 17, 1973, she was recognised in Great Britain having arrived from Ireland where she had duly paid her contributions under the Irish Social Welfare Acts 1963 to 1972.

When she took up residence in Great Britain she had not reached the age entitling her to a retirement pension in Ireland (65), but was over the age for contributory such a pension in Great Britain (60). In Great Britain she was registered under the Nat-

ional Insurance scheme as an employed person and paid full rate-rate contributions there in 1973, 1974 and 1975. Her earnings were sufficient for such contributions to be payable.

On November 14, 1975 Mrs Coonan claimed a cash sickness benefit but her claim was dismissed on the ground that she did not qualify for the grant of sickness benefit in the case of a woman of her age, the qualification being that she would be entitled to a retirement pension on her own insurance or that she had made the necessary claim (section 14 (2) of the Social Security Act 1973).

In order to be entitled to such a pension it was necessary for her to have complied with the conditions, referred to in section 14 (2) of the Social Security Act 1973 and specified in regulation 3 part 1 paragraph 3, which require her to have paid, or failing payment to have been credited with contributions over certain periods of time.

The local tribunal took the view that, although the claimant had paid such contributions in Great Britain or has been credited with national contributions for



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## SPORT

Rugby Union

## Welsh referee will give Lions inside view of Springboks

From Richard Streaton  
Vanderlipark, May 5

Something akin to an unexpected trump card emerged from the collective sleeves of the British Isles party today and has caused a stir. On the past two Saturdays the international matches between South Africa and the touring South African team have been refereed by the Welsh official, Ken Rowlands. Tomorrow Mr Rowlands is joining a party of the Lions study films of the two matches.

Officially Mr Rowlands will merely be helping the Lions with his impressions of how several of the more contentious rugby laws are interpreted in this country. On previous Lions tours the front row at set scrummages, in particular, have always proved flashpoints for irritation and confusion.

Unofficially, how many South African rugby followers see Mr Rowlands's visit is best described by quoting newspaper headlines that talk of "spies in the camp" with text going on to suggest that he will be taking the Springboks' secrets after 160 minutes close-up study of their play.

Certainly no other touring side has probably ever had the benefit of such advice and guidance from someone with such immediate personal knowledge. An example of what, in the modern phrase, is a spin-off of natural referees, something still very new in representative rugby. It is also, perhaps, revealing of how seriously modern rugby sides take their preparations and how desperately short the visit in terms of preparation, at the moment, for something to record.

When "Ollie" Campbell, the Irish stand-off, joined off during the morning two-hour training period, rumours immediately had it that he was hamstringing would leave him inactive for weeks. Fortunately an attack of cramp was the problem. A thermal bath and massage was all that was necessary and he took a full part in the afternoon practice later.

At both workouts the emphasis was on physical exercise and stamina rather than rugby skills, though in the early evening at least, the forwards and backs separated for a time into two groups to work on fundamental skills and passing skills. Considering the sun was beating down and the temperature hovered around 75, both training periods were arduous for players still feeling the effects of jet lag. Dry throats and chest pains from the altitude were also ignored.

In 1974 these Lions are already on the slow sodium tablets, a modern form of salt pill, which first proved so effective on England's tour to South Africa in 1971. The only competitive element to the training came when players alternately jogged and sprinted for several laps of the field alongside their positional rivals, full back against full back and so on.

The most common complaint afterwards was blistered feet with Cotton, Martin, Woodward, Tucker, Carleton and Blackwell, that their feet were among the best in the northern hemisphere, that results scarcely reflected their imaginative and league approach to the game. All that is true, but it is the other countries who are winning and the game is the important thing, at the moment, it seems in Scotland to be almost a forgotten objective.

Accomplished player and popular coach though he is, Mr McEwan's record was singularly dismal, one win in 17 matches plus failure and although his reputation on the grounds is about to have open-heart surgery) prevented possible embarrassment to the Lions.

By Iain McKenzie  
The Loughborough sevens tournament, on Saturday brought to an end a season of no great content in Scottish rugby. Galt and Stewart's victory over the Scots on the club scene, Galt because for the first time they became undisputed masters of the 15-a-side game, and Stewart because they reaffirmed their supremacy at seven-a-side.

Elsewhere as the posts come down and the summer thoughts are turning from what might have been in 1979-80 to what could be in 80-81. It would be pleasant to say that the better times ahead for the national side and throughout the game, but keeping one's head firmly in the sand is not a profitable exercise.

The unpalatable but indisputable fact is that once again Scotland finished at the foot of the table in the five nations championship with only one win, thanks to a late rally against a poor French side.

John McEwan, beaten by Jimmy Connors in the final of the World Championship, played a superb series here yesterday. It seemed to play him in the final of this week's WCT "Tournament of Champions" at Forest Hills, New York.

The first prize is again \$45,000 but Forest Hills differs from Dallas in that it features 32 players in the final of eight, to be played in a series of four matches on a carpet, and marks an attempt by WCT to give a relatively new and exciting tennis event.

When the United States Championships were moved to Flushing Meadows, in 1978, WCT tried to keep the traditions of Forest Hills alive by having a "Tennis of the Future" event, but it was not successful.

This year's change of dates and format (the all-play-all system has been dropped) has tempted more celebrities and should also be more attractive to the public. The field consists of men who have won \$50,000 (\$22,700) tournaments in the past 12 months. As a reward for qualifying and making part they are guaranteed a collective total of \$21,000 in bonuses. The tournament also carries \$135,000 in prize money.

In shifting to this week in the calendar WCT clash with the established and successful \$182,000 Nations Cup competition, the team championship of the Association of Tennis Professionals, which is played at Düsseldorf. The clash attracts the attention of the media and it would like. This favours situation arises because the men's game has no organisation capable of sorting out the future.

In terms of international publicity this week is further complicated by the Italian women's championships in Perugia, Italy.

Michael Davies, executive director of WCT, was saying the other day that the biggest problem facing men's professional tennis was that it was such a world game. "There are probably too many tournaments and not enough years to go round, so the talent is diffused." Even last week's Dallas, the tenth anniversary of the most distinctive and successful tournament in the calendar, suffered from this diffusion. Some of the



Campbell: temporary malaise did not cramp his style.

turers provide free equipment to generously, the temptations to misjudge such matters are plentiful. Like Campbell's temporary setback, the problem briefly assumed gigantic proportions. "Beastie" of yesterday's chaos infection, was among the hardest workers all day.

The Lions team for the first match on Saturday, against West Province, at Port Elizabeth, is being announced on Wednesday. The tour's second game, against the black South African Rugby Association at East London, on May 14, has changed its character. The fixture has become one of the most important in the tour, with five white players brought in to strengthen the hosts.

This follows an 81-7 defeat sustained by SARA recently against a Northern Transvaal under-25 side in a warm-up game, and the alteration came at SARA's own suggestion. The five "guests" include Ewoud Malm, the number two Northern Transvaal hooker, who toured Britain with the South African Barbarians last year, and also David Smith, a Zimbabwe centre who was picked for the Springbok national trials last month, but had to withdraw through injury.

Stand-off, loose head prop and open-side flanker are the other positions that SARA feel the need for outsiders to fill and the result will provide the moment his suspension ended.

The visit of the South African Barbarians brought protests, demonstrations and court cases. Gordon Brown was persuaded to drop the tour, but the hope of a place in the Lions party and lost some dignity in the process. Leith Academicals defied the ban by playing a friendly match with Langholm, thus denying Langholm the opportunity of winning the second division championship.

IBRD and World Bank officials are on the verge of a cap, was badly raked in a league match against Jordanhill, and although the club decided eventually to drop the case, a mass meeting remained. Alan Jones, the Hawick lock now with the British Lions, was sent off during the Edinburgh v South of Scotland game, suspended for seven weeks by the Scottish Rugby Union and put straight into the international side the moment his suspension ended.

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Impressively unfamiliar figures were Ivan Lendl, already on the fringe of the top 10, who can obviously improve his serving and volleying. John Kriek, a quick and agile little chap whose daring shot-making makes him exciting to watch, and to some extent Bill Scanlon, who lacks a genuinely big shot but moves the ball about fluently and sensibly.

As it inevitably had to, Dallas boiled down to Connors vs McEwan, both former winners. The fact that Connors won 2-6, 6-7, 6-2 to two hours and 50 minutes before a crowd of 15,000 was less important than the implications.

This was his most important success since the 1978 US Championship, his third win in four matches, with McEwan this year, and an indication that at the age of 27 he may still be within reach of the number one spot, which is the only one he cares about.

Connors is more mature and composed than he was a few years ago. His anticipation is sharper, his courtcraft more shrewd. On this occasion, too, his touch was superb. As for McEwan, he has been playing too much tennis and his confidence has to some extent been eroded by setbacks in a Davis Cup tie with Argentina and, later, a European clay.

Connors was second best in the first set because McEwan converted only four points in four service games, more than McEwan was serving was simply not as good as it needed to be and Connors, suddenly surging with confidence, won 11 games out of 12 from 55 down in the second set. McEwan was always knocking at the door but he needed a key. The key was his service - and he could not find it.

Düsseldorf: Nations Cup men's final. Connors beat McEwan 6-3, 6-2, 6-0. Connors beat McEwan 6-3, 6-2, 6-0.

DAKAR: Final. Y. Noah (France) beat Tim Gullikson (USA) 6-3, 6-2, 6-0.

TOKYO: Men: 100 metres: R. Williams (USA) 10.95sec, 300m: L. Sanchez (USA) 3.85sec, 500m: J. Smith (USA) 1.55sec, 1000m: E. Ashford (USA) 3.55sec.

Baseball  
American League: Kansas City beat New York Yankees 5-4. St. Louis Cardinals beat Chicago Cubs 4-3. Pittsburgh Pirates beat Philadelphia Phillies 4-3.

National League: St. Pauli beat New York Yankees 5-4. St. Louis Cardinals beat Chicago Cubs 4-3. Pittsburgh Pirates beat Philadelphia Phillies 4-3.

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Connors: sharp anticipation and shrewd courtcraft.

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## LEGAL NOTICES

**NOTICE is hereby given** pursuant to 27 of 1970 (No. 10) that any person claiming to be the owner of the ESTATE of any of the deceased persons mentioned in the list below is hereby notified to send particulars in writing of his claim or of the date of his death to the undersigned, who will be responsible for the payment of the estate duty. The date specified, after which date the claim will be treated as a claim against the estate of the deceased, is the date of the death of the deceased.

**NOTICE is hereby given** pursuant to 27 of 1970 (No. 1







Bernard Levin and the Transport Workers' £5,000 for the Morning Star

# Selling out democracy without knowing it

The decision by the executive of the Transport and General Workers' Union to give £5,000 to other people's money—no wit, their members' to the Communist Party, which money will be used in furtherance of the work of destroying the trades union movement, the Labour Party and Britain (not necessarily in that order) has a certain charm; or not, of course, as the case may be. (The excuse, which I would have thought was too ludicrous even for Mr. Moss Evans, was that the money was not given to the Communist Party itself, but to its newspaper, the *Morning Star*. Once again, I am reminded of Ben Jonson's *Volpone*, who is most disturbed at the suggestion that he should participate in the production of counterfeit money, since coining is a grave sin. On being assured, however, that what is proposed is designated *costing* money rather than *coining* it, his conscience is satisfied and he looks forward eagerly to the profits.)

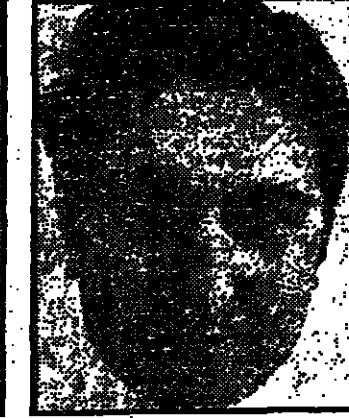
It has been widely forgotten that the TGWU used to have a rule which prohibited members of the Communist Party from standing for high office in its ranks. I am not sure that this rule is a legitimate rule for a union to have; surely it is better to let them stand for office but ensure that they are defeated by democrats. Of course, there was the danger that if the Communist Party ever captured a majority among those with the constitutional authority to control policy and the rules, the members could never get their union back as the CP would institute ballot-rigging and



Mr. Moss Evans: no imagination.



Mr. William Rodgers: brave criticism.



Mr. Frank Chapple: portrayed as traitor.

other criminalities to try to ensure that their hold was never broken; that is, what happened, of course, in the case of the ETU. Anyway, the argument, whichever side of it appeals to you, is now irrelevant, because the ban was raised some years ago.

The obvious conclusion, however, is that the wrong one is the TGWU has not fallen under the control of the CP. There are members of the party in its upper reaches, together with the usual sprinkling of fellow-travellers; but control is not in their hands. Nor is Moss Evans himself even a fellow-traveller, let alone a CP member, public or covert. He is something rather more dangerous than either: to wit, a man of no imagination and very little sense. When, a few years ago, he called for the press to be licensed (Mr. Scargill has since gone further, and called for the press to be nationalized), he was, it is quickly become clear, genuinely surprised and hurt by the widespread adverse comment his proposal aroused; it really seemed not to have occurred to him that even the partial suppression of free speech might be thought undesirable. It is his own knowledge whether Mr. Evans himself was originally in favour of the decision to give £5,000 of his members' subscription money to the enemies of democracy and of the TGWU, though he has since defended it, but if he wasn't, I'll wager that his opposition was based on grounds of tactics, constitutional proprieties (the money must not, for instance, come out of the political levy, as the use of that is strictly confined to the purposes of the Labour Party)

and expense; the thought that the gift was an outrage, and a particularly shameful one at that would not, I feel sure, have crossed his mind.

I don't imagine that most of the members of the TGWU would be very glad to know that their money is going to help finance their and our enemies; one cannot be sure, of course (though one can be sure that Mr. Evans is not going to ask them, by means, say, of a referendum, of his union's membership). But you might think that those who took the decision would at any rate have noticed that there was a rather important political question involved, irrespective of the members' wishes, and that is the undeniability of a union affiliated to the Labour Party, and playing a very large part indeed in the determination of its policy, leadership and electoral chances, giving money to those who, among

other activities, put up candidates at election-time against Labour Party ones. Even if the TGWU leadership can persuade themselves that the CP is really part of the democratic spectrum, it can hardly get round the fact that it is engaged in fighting the Labour Party at both national and local political levels.

Of course, I think that there are more important principles than that in this business, but I am trying to put the case as it might have presented itself, but apparently did not, to those who actually believe that the CP is not fundamentally different from other parties, and its newspaper therefore the voice of a democratic organization.

And yet those more important principles are indeed more important. The grubbiness of so much of the present relations between the trades union

TGWU leaders who fought for their members' wider interest in keeping Britain democratic as well as for their narrower material betterment. It is not that the TGWU leaders in the fact that by this action they have further eroded the absolutely vital distinction—literally vital, because necessary to the maintenance of democratic life—between free political systems, whether of left or right, and totalitarianism. And they have done so, I repeat, not because they are themselves infected with totalitarianism but because they are, to put it plainly and offensively, too stupid to see the point.

A few brave Labour MPs have criticized the action: William Rodgers, Ben Ford, John Cartwright, Neville Sandelson, Bruce Douglas-Mann. Mr. Callaghan has said nothing, naturally; the NEC will certainly not condemn the TGWU's action, and indeed is quite capable of enthusiastically endorsing it; angry members of the union itself will probably, and understandably, think it wise to keep their feelings unexpressed, for fear of being arraigned for lese-majesty. The whole thing will blow over quite soon. But the money will not be given back, and Mr. Moss Evans will still not get the point. And Britain will be £5,000 nearer the extinction of her democracy, and the Labour Party and trades union movement a great deal nearer the extinction of theirs.

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Gibraltar: a cold wind as the gates open.

## Why Gibraltar prefers the siege life

The worried, even angry, reaction of some Gibraltarians to the news that their frontier will reopen is as incomprehensible to the British who "own" them as to the Spanish who claim them. Would they really prefer the siege to continue? Do 25,000 people really enjoy being cooped up on two square miles of rock? It seems like the perversion of the prisoner in the Bastille who is alleged to have told his revolutionary liberators that, if only he were a prisoner, he would prefer to stay where he was.

Then, after accession, Spanish citizens will have the right to work or prevent a determined Gibraltarian from doing so. A planned economic and demographic invasion of the colony would be possible. Gibraltarians fear, and under European law have the right to demand, that a group of Spanish patriots with strong feelings on the issue would be able to buy the colony back from Britain bit by bit.

For the Gibraltarians, thoroughly disenchanted by two decades of (they feel) cruel treatment at the hands of their big neighbour, it is not merely a question of a flag or a passport, although these feelings too run deep. They see no practical benefit in joining Andalusia, a land often described as Spain's "third world" with its high crime rate and unemployment. They observe these birth pangs of Spanish democracy on their television sets and compare them with their own cramped but secure way of life. At the moment, there are more in Gibraltar than there are people to fill them, but trade union leader Joe Bossano, for instance, who opposes the very idea of bilateral talks on Gibraltar's future, cannot see full employment outside the enclave and the blockade and the introduction of free movement of labour.

The anomaly of Gibraltar's position as the only legally established colony in Europe will therefore continue. In force, no willing change in the Franco government, most Spanish leaders now admit, handled the issue wrongly. They tried to batter the people of the Rock into submission. And they failed. The only result has been to make them deeply suspicious of the outside world, and of the Spanish in particular, and of any discussion anywhere about their eventual future.

This is why, when Lord Carrington and Mr. Marcelino Oreja reached sudden agreement in London on April 10, many of their first reactions were negative, or at least apprehensive. And while most are resigned to facing the cold wind that will blow as the gates are opened—the alternative of perpetual self-imposed siege—they will not admit it is absurd that they are not yet ready to discuss a further radical change, the eventual ending of their equally "anomalous" status in the European Community.

The Rock of Gibraltar has withstood yet another siege. Its small but determined people now need time to consider what the change will mean and then consider their future.

Nicholas Bethell

## The district elections: why there's no euphoria on either side

That Labour should have made substantial gains in Thursday's district elections was no surprise. Local elections usually record a swing against the party in office, and these were the first under the new Conservative Government.

Moreover, the majority of seats at stake were last contested in 1976, when Conservatives made widespread gains in normally safe Labour areas. It would have been little short of miraculous had such areas not reverted to type.

The interesting question, therefore, is not why Labour did well, but how well it did. Is there something in the claims of Lord Harewood and Mr. Heseltine that Conservatives succeeded in "limiting the damage"?

The answer entirely depends on one's benchmark for comparison and none is ideal. Compared with 1973, the last occasion on which local elections were held under a Conservative government, the Conservatives' share of the two-party vote was a little worse (see Table 1) but these comparisons are confined to the large cities of the North which, relative to the rest of the country, have gradually gravitated towards Labour.

The more obvious comparison is with exactly a year ago when the general and local elections were held on the same day. This reveals a substantial but not landslide two-party swing of 6 to 7 per cent, a fraction local elections suggested by recent polls. Repeated at a general election it would give Labour the kind of parliamentary majority the Conservatives have now.

The regional pattern to the swing reversed that of the general election. Labour appears to have recovered most ground (in terms of votes rather than seats) in precisely those areas which most helped Mrs Thatcher to her general election victory. The swing was six to seven per cent in the south (but over 11 per cent in Basildon, a

There is some consolation for the Tories, some unease for Labour

surprise Labour loss in May 1979) and seven to eight per cent in the West Midlands, but down to almost nothing in Bradford and Newcastle. The North West, however, maintained its relatively pro-Labour mood of 1979 and, apart from Liverpool, moved strongly to Labour. In Manchester only four of 33 wards were won by the Conservatives.

A more telling test of the Government's standing is how it compares with Mr. Heath's after a similar period in office. In the 1971 local elections, 10 months into the Heath administration, Labour recorded its best results since 1945. Table 2 compares the 1970-71 and 1979-80 swings and suggests that although the Conservatives lost many fewer seats and councils this time (not least because before reorganization there were more seats and districts at stake) the swing of votes against them was nearly if not quite as heavy.

But the economy is in much poorer shape now than in 1971. (In terms of votes rather than seats) in precisely those areas which most helped Mrs Thatcher to her general election victory. The swing was six to seven per cent in the south (but over 11 per cent in Basildon, a

that extent there is some consolation for the Conservatives, and some cause for unease for Labour.

The results make mixed reading for the Liberals. Conditions were perfect for Liberal gains, perhaps right for a breakthrough; they could hardly incur losses of seats last contested in 1976, a dismal year for them, and anyway tend to fare better under Conservative than Labour governments. In the event they made 74 net gains, captured Adur and Hereford councils, improved their already strong position in Liverpool, and made substantial gains in some seaside resorts and small towns.

But overall their advance was modest and localized, and partly offset by retreats elsewhere. Compared with 1979 their vote slipped a few per cent in Cambridge, Rochdale and Stockport (which includes the once-Liberal seats of Cheshire and Hazel Grove). Where exact comparisons with 1979 are possible (Table 3) the picture is of a Liberal standstill, and of Labour benefitting from disaffection with the Government.

This is out of line with the 2 to 3 per cent rise in the Liberal vote suggested by recent polls, and the larger rises recorded in the three by-elections (9.2 per cent on average). Liberals have reasons to feel disappointed, even puzzled.

Scotland saw a repeat of the Nationalists' general election slump. They lost the four districts they had controlled, and saw 103 of their 170 councillors defeated including all 16 in Glasgow. Unlike 1979 however, when most of their parliamentary seats, being rural, reverted to the Conservatives, most of their lost local seats, being urban, reverted to Labour.

Once again precise interpretations depend on baselines. The Scottish seats were last contested in 1977 when Labour's stock was excep-

Table 1  
Conservative share of the two party vote in selected districts 1973-1980

	1973	1974	1976	1979	1980	Change 79-80	Change 74-80
Bolton	51.2	46.7	61.5	51.3	45.1	-6.2	-1.8
Bradford	54.0	40.8	58.6	48.2	47.8	-1.4	-7.2
Leeds	50.8	38.5	58.9	48.5	44.4	-3.9	-14.8
Liverpool	43.4	37.8	49.5	42.6	44.9	+2.1	+7.1
Manchester	49.3	37.3	51.7	42.1	35.6	-6.5	-17.7
Newcastle	43.8	36.7	50.0	43.8	44.4	+0.6	+7.7
Stockport	63.5	-	70.1	63.0	56.6	-6.4	-
Wirral	57.1	-	66.8	57.1	53.4	-3.7	-
Birmingham	49.7	41.7	60.8	52.4	44.9	-7.5	+3.2
Sandwell	39.4	32.8	55.1	46.1	38.5	-7.6	+5.9
Cambridge	-	53.4	55.9	49.5	47.2	-2.3	-
Basildon	-	41.7	56.2	54.5	43.2	-11.3	+1.5
Gloucester	-	54.2	61.4	58.8	49.5	-9.3	-4.7
Gillingham	-	55.9	68.0	63.2	56.4	-6.8	+0.5
Reigate & Banstead	-	55.4	65.4	70.2	63.6	-6.6	-
Watford	-	44.2	55.8	52.8	47.8	-5.0	+3.6

Metropolitan district elections only.  
October 1974 General Election.  
District council elections.  
Boundary differences preclude comparisons of Parliamentary and local election figures.

Table 4  
Changes in shares of the three party vote in districts where Conservatives contested all seats, 1979-80

district	swing from SNP to Labour 1977-80	swing from SNP to Labour 1974-80	swing from Lab to Lab 1977-80	swing from Lab to Lab 1974-80
Glasgow	10.4	3.5	13.3	7.0
east Kilbride	20.1	11.2	13.3	6.0
Hamilton	20.6	15.6	3.7	0.8
west Lothian	5.9	1.0	***	***
Falkirk	18.7	6.9	***	***
Cumbernauld	12.7	10.4	***	***
Glenageary	12.1	11.2	***	***
Edinburgh	***	***	8.3	1.3
Aberdeen	***	***	4.2	-0.2
Kyle and Carrick	***	***	9.1	6.9

\*\*\* swing cannot be calculated.

Table 2  
Swings against the Conservatives 1971 and 1980

	1970-71	1979-80
Bolton	-6.9	-6.2
Leeds	-6.8	-3.9
Manchester	-6.9	-6.2
Birmingham	-8.9	-7.9
Gillingham	-8.4	-5.8
Watford	-7.6	-6.4

Figures show differences between the Conservative share of the two party vote in the general election of June 1970 and the municipal elections in May 1971, and between the district council elections of May 1979 and 1980. Those marked with an asterisk compare 1979 general election vote with 1980 district election figures.

Table 3  
Changes in shares of the three party vote in districts where Conservatives contested all seats, 1979-80

	Con	Lab	Lib
Liverpool	-1	-4.3	+5.3
Stockport	-3.8	+5.5	+1.7
Cambridge	+0.6	+4.3	-4.9
Gillingham	-7.8	+4.1	+3.6
Gloucester	-5.3	+6.5	-1.2
Watford	-3.9	+5.0	-1.0

Front put up only a few candidates, even in districts of former strength such as Sandwell and Rochdale and consistently came bottom of the poll. Conservatives were equally short of candidates and votes. The Ecologists made no headway from last year: their main impact was to reduce the Liberal vote where they stood. The Democratic Labour Party failed to win a single seat in Lincoln, a council it briefly controlled a few years ago, and must now be regarded as both down and out.

Food for thought for Mr Jenkins?

Ivor Crewe

The author is director of the SSRC Surrey Archive and co-director of the British Election Study, University of Essex.

## LONDON DIARY

### Sir Winston and the game of Doodlebug bluff

Did Churchill plan to sacrifice south-east London to the flying bombs in order to save Whitehall, when the Germans' secret weapon began to rain down on London in 1944? And were Bromley, Orpington and adjoining suburbs saved from devastation by the intervention of Herbert Morrison? Some new light has been shed on this murky corner of wartime history by Charles Cruickshank, writing in the current issue of *War Monthly*.

What is certain is that Churchill came close to panic when the first Doodlebugs began to drop accurately on central London that summer. First he wanted to use poison gas in retaliation, then he considered obliterating one small German town by saturation bombing for every day that the rocket raids continued. Eventually he decided to use double agents to channel the false information back to the Nazi command. That the bombs were overshooting central London: his hope was that the rocketeers would then shorten their range and devastate

civilians in their homes rather than the Government in Whitehall and key war production factories.

What has always been assumed, particularly following the publication of R. V. Jones's book, *Most Secret War*, is that the decision was taken to feed misleading information, the War Cabinet minutes because it was too secret. But Cruickshank, a retired Foreign Office man and war historian, has now sifted through the Cabinet papers in the Public Record Office, and found that the plan was overruled, thanks to the intervention of Morrison, then Minister of Home Security.

Cruickshank writes: "He (Morrison) was not interested in the chief of staff's claim that it would benefit the war effort to encourage the German to drop their bombs short, or the fact that it would save many lives... but he said quite unequivocally that he was afraid of the politically damaging consequences if it ever came out that the War Cabinet had attempted to intervene."

Whatever his motives were, many thousands in south-east London are alive today thanks to the intervention of Morrison. And, as Cruick-

shank concludes, many thousands more in central London are not.

### Whale success?

The remaining hurdle that prevents the save-the-whale campaign of Greenpeace and Friends of the Earth from being a total success in Britain, and other EEC countries, could soon be cleared. It depends on winning the use of sperm oil. Michael Haselkine, the environment secretary, has declared his support for prohibition, but rather than take unilateral action his Ministry officials are cooperating in a unified scheme for the Community as a whole. One of the major snags in any such legislation, that of monitoring the results, no longer pose any difficulty.

The main use for sperm oil nowadays is to soften leather for fashionable gloves, handbags and shoes. For the past two years Clark's, the Somerset shoe firm, has quietly been testing all the hides it buys, and rejecting all those processed with sperm oil. In recent months it has continued the testing as an experimental monitoring service for the Government: not only can Clark's spot a sperm-treated hide at 50 paces, it reckons the natural

product no longer has the slightest advantage over the environmentally more desirable synthetic oils.

Good news for whale-savers, but alas not so for whales. Last winter, according to Greenpeace, the Soviet fleet caught 906 killer whales, a species previously regarded as small to bother with. The catch is three times greater than any previous Soviet haul of that species.

### Leeds castle wine

Peter Walker, the agriculture minister, travels to Kent today to officiate at the replanting of one of the oldest known English vineyards. In spite of the fact that the vineyard was first recorded in the Domesday Survey of 1086, and at frequent intervals in the ensuing centuries, but was grubbed up long ago during the past two weeks Castle gardeners have been busy replanting the historic vineyard field with two acres of German Müller-Thurgau vines, chosen for their success at similar latitudes on the Continent.

Given reasonable weather between now and their maturity in 1982, the 3,000 vines should produce 4,000 litres of grapes, which will in turn fill 4,000 bottles with a light and delicate hock-style wine. If the product is good, some small credit can be claimed by British Steel, who provided several tons of basic slag from Corby to fertilize the ground, along with sulphate of potash and Derbyshire magnesium limestone.

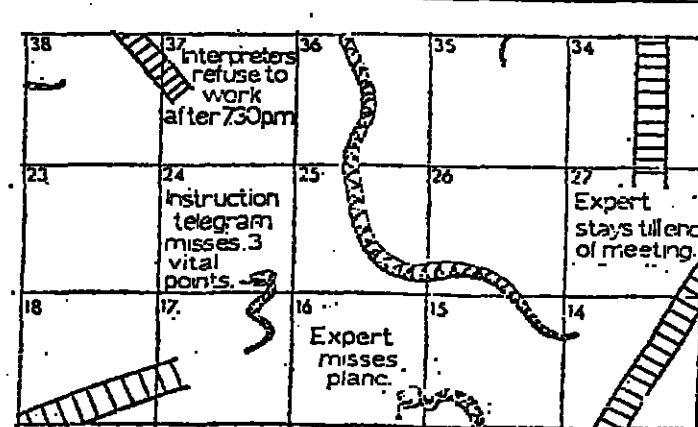
The deep ploughing—nearly 12in—is of prime importance, as once the vines are planted it cannot be done again. Expertise has been provided by another Kent vineyard, at Lambhurst Priory, where the grapes will be pressed.

I hope that when the time comes the Leeds Castle Trustees will be able to export at least a proportion of their output across the Channel, provided the French let it in.

### Snakes or ladders

I have heard often enough the inner workings of the EEC Commission described as a jungle and a maze, but this is the first time I have seen them viewed as a game of snakes and ladders.

The accompanying chart of thrushes things out in advance



which I reproduce only a portion, has been drawn up by civil servants in London and Brussels who have to deal with the nuts and bolts of proposed rulings handed down from the Commission, to illustrate the hardships, toils and snares that arise in the bureaucratic machinery.

A little explanation is necessary. "Corporer", which figures on both snakes and ladders, is the Committee of Permanent Representatives of Governments in Brussels: this is the body of diplomats which thrushes things out in advance

### Siege zoo

Even a siege has its lighter side, both for the massed forces of the world's press and for the Scotland Yard police spokesman who have had a somewhat tetchy relationship at times during the five-day vigil outside the Iranian Embassy.

The police are reluctant to release anything but the barest details of their negotiations with the gunmen. But in the small hours of yesterday morning, a police spokeswoman was only too delighted to assure an earnest foreign reporter that all was well with the jerbills, hamsters, goldfish and even, apparently, a duck that is carefully hatching its eggs, and who have all been unwaveringly caught up in the drama.

The animals belong to children at the nursery and infants' school that police have taken over as part of their operation.

A firm of London solicitors, Hui and Co., which does work for the Chinese community, recently took on a new partner, Mr. K. O. The business is now known as Hui and Co.

Alan Hain

مكتبة من الأصل



Le Monde  
LA STAMPA  
THE TIMES  
DIE WELT

# Europa

VOL VII - No 6

AN ECONOMIC MONTHLY PUBLISHED IN  
BRITAIN, FRANCE,  
WEST GERMANY AND ITALY

In 150 days from now the West German electorate will decide whether the new Chancellor is to be Franz Josef Strauss. "Europa" asked the Opposition candidate in the Bundestag for his views on relationships between Europe and America and on the Franco-German relationship, and for his assessment of Soviet foreign policy. We also asked Herr Strauss if he was in favour of a European Community with increased membership, and how he saw the situation in Yugoslavia after President Tito. Finally we asked him whether he believed he will be successful next autumn, and what he thinks of his opponent Helmut Schmidt.

## Three steps to detente

Herr Strauss, how do you see the situation as regards foreign affairs in West Germany in particular?

The position of the Federal Republic as regards foreign affairs is, and hence Germany's policy, is determined by the inalienable bonds of adherence to the European Community, our unshakable commitment to the Atlantic Alliance, our desire for peaceable co-existence with the Eastern bloc, and our commitment to a policy of peace and detente in the communist sphere of influence.

The brutal Soviet invasion of Afghanistan has provided fresh evidence of the global and long-term nature of Soviet foreign policy. It is a combination of imperialist power politics, colonial exploitation and the pursuit of world revolution. Against this, the West's awareness of the problem has become increasingly impaired ever since the end of the 1960s through the mystique of a policy of peace and detente that has been taken too far.

What aspects of German foreign policy would you change if you were to become Chancellor? Would you, for instance, feel yourself bound by the treaties with the Eastern countries in their present form?

It was the quiet, persevering work put in by CDU/CSU governments in Germany since 1950 which laid the foundations for a start to the normalisation of our relations with the Warsaw Pact countries. We are all of us for detente. But it depends on what kind of detente it is, whether it is genuine or illusory.

For the Soviet Union, a policy of detente does not mean the end of East-West differences. For them the cold war is one method, and detente is the other. They are both applied at different times and in different parts of the world according to the objective in view, the chances of success and the political and economic sphere of influence.

The present SPD/FDP coalition Government in Bonn has so far wrongly appraised this state of affairs. It has given itself false ideas, prevented the public with a false picture and brought about a widespread feeling of security among Europeans. By pursuing an over-optimistic, ideologically determined Ostpolitik, which they were under no pressure to make a success and one that was drawn up as the result of secret negotiations with the alien Communists, the Gov-

ernment has concluded a number of treaties since 1969 that are loosely worded and capable of conflicting interpretations, the effect of which has been to arouse dangerous expectations in the East.

I have always emphasized that for detente to be realistic three prior conditions must be met. First, it must not be left for one side to dictate what detente is and what it is not, but it must be defined by both sides. Second, the aim of detente must be to create an approximate military balance. It must not be used by the one side as a screen behind which to build up superiority in armaments, nor must it lead the other side to adopt a neutralistic approach and sap its readiness to defend itself. Third, detente must be geographically indivisible. Threats to the vital flank positions of the free world in Africa and Asia are just as great a danger to its economic and military security as the Soviet rocket sites in central Europe.

I already emphasized in January, 1973, as the leading politician of the CDU and CSU, that as far as we were concerned, treaties are to be kept. We shall retain the treaties that have been concluded with the East, and make the best we can of them. But the way in which these treaties have been interpreted, has led to conflicting inferences over important matters. As far as we are concerned, the pronouncement of the Bundestag of May 17, 1972, and the rulings of the Federal Constitutional Court of 1973 and 1975 are definitive and binding.

What would be your position regarding relations with the Americans? Do you feel Europe should be more independent of the United States?

The strategic progress made by the Soviet Union in the critical zone from northern Afghanistan to the frontiers of South Africa has clearly shown that independence and vulnerability, of Western industrialized countries in terms of the supplies of energy and raw materials on which their developed industrial societies and free democratic systems are now facing their gravest trial of strength since the end of the Second World War. A future of peace and freedom for us all is at stake. The Americans and we Europeans are in the same boat.

Unlike Chancellor Schmidt, I have never made it my policy, and especially not on my last visit to the United States, to look for the differences that separate us, but have always emphasized the interests that Germans, Europeans and Americans share. The main issue before us now is whether we have sufficient conviction and awareness of our own position, whether we have sufficient power of decision, to evolve in conjunction with the Americans a Community answer to the challenges that confront us.

It would be incommensurate with the situation, and indeed highly dangerous, if we were to draw away at this time from the United States. Sooner or later it would cost us dear. For without the strength and capacity of America, European security and freedom would no longer be safeguarded. We need a joint European and American political, economic and military strategy, harmonizing the interests of the two pillars of the transatlantic alliance.

We must make it clear to the Russians, by taking up a non-provocative position with the emphasis on peace, and showing complete readiness to embrace detente, while at the same time displaying a credible determination to defend ourselves both in the moral and physical sense, that they cannot have it both ways. They cannot pursue a policy of aggression against the West and still continue to receive technological assistance from the West.

Would you continue to give priority to the Franco-German relationship?

For us Germans in the Federal Republic the Franco-German relationship will always be crucial. After all, Germany and France have close geographical, historical and political ties. Konrad Adenauer and General de Gaulle put the Franco-German friendship in 1963 with the treaty of friendship, but this was in no sense a union of two countries against the wider European alliance of other major countries. It was one of the nuclei around which European foreign, defence and economic policy was intended to crystallize.

How do you see the relationship between the two Germanies?

As the SED leaders in East Berlin have always, as loyal followers of the party line, considered it their task to help to further Moscow's inter-

national policy, in the light of the heightened world tension resulting from the Soviet invasion of Afghanistan, the future of inter-German relations can be viewed only with apprehension. I want an improvement, not so as to delude myself but for the sake of humanity and our common fatherland.

It must be remembered that even before this happened East Germany had carried out, in 1973, the most extensive works on its security installations along the frontier with West Germany that had been seen for years. To make this most inhuman of all frontiers even more impenetrable was a clear breach of the basic treaty under which the two Germanies are pledged to promote good neighbourly relations. Would you, if Chancellor Schmidt does not visit East Germany before the federal elections, try to arrange a meeting with Herr Erich Honecker, the East German leader, yourself in the event of a CDU/CSU victory at the polls?

My willingness to meet Herr Erich Honecker does not depend on whether Herr Helmut Schmidt fails to meet him after receiving an invitation from East Berlin. It depends on whether such talks would be likely to ease the lot of, and bring positive benefits to, the people in the free and subject to the rule of law. The precondition of any talks would in any case be East Berlin's willingness to discuss the dismantling of the criminal self-explosive devices in the common German border and the withdrawal of the East German frontier guards.

Do you feel that the Federal Republic is fulfilling a fitting role in world politics?

West Germany is an important partner in the European Community and the Atlantic Alliance. But it is not a world power which can take on the responsibility for global politics on its own. Because of its geographical location on the dividing line between West and East, and the fate of being divided that has befallen the German nation, West Germany is called on above all to safeguard peace and freedom. For this, there must be solidarity of a concrete kind with its partners in the Atlantic Alliance, and it must be prepared to bear its share of the related burdens to the extent that its economic capacity will allow.

What is your opinion on the conference of the European Community (the summit of Greece, Spain and Portugal)? And would you also be in favour of Turkish membership?

Since the beginnings of history the Mediterranean area has always left a decisive stamp on European politics, economic development and culture. Because of the highly volatile conception from the mixture of races in the east Mediterranean and the Middle East, it is in the interests of peace and freedom for our continent that the economic, political, social structure and also defence capability of the Mediterranean area should be strengthened.

I welcome the decision to accept Greece, Spain and Portugal as a decisive step in this direction. It is to be hoped that the proposed transitional periods before full integration will help to prevent additional overloading of the labour markets in member states, and that the measures of assistance envisaged by the Brussels Commission will enable the acceding countries to accelerate the process of developing their economies to the necessary stage of maturity to allow them to participate as free competitors.

With the accession of these three countries, the EEC will

have reached a degree of enlargement which, considering the present political geography of Europe, is likely to be the maximum feasible extent for the foreseeable future. The greater and more rapid the geographical extension of the EEC, the less effective it will become as an instrument of action, and the slower the process of internal consolidation. This would be especially unwelcome at a time of such dramatic changes in international affairs, when the Community needs to be capable of acting effectively more than ever before. Rather than being granted full membership, Turkey should be given economic aid by the EEC as rapidly as possible, through resuscitation of the treaty of association which has meanwhile been put on ice.

Would you advocate that the West should provide military assistance if the Soviet Union invades Yugoslavia?

Yugoslavia is a multinational state, with an inherent tendency against centralization, which has been held together by the strong personality of Tito. If this tendency, under a successor regime after Tito, should lead to a collapse of the state, then in my firm opinion the situation could be extremely dangerous. There is a Soviet statement that the invasion of Yugoslavia would lead to the collapse of the state, and the more capable it is of reacting effectively in the face of the invasion of Afghanistan, the



more likely it is that the leaders in the Kremlin will shrink from any further military venture. I hope NATO has contingency plans ready for such an emergency, and that the West will not set yet another bad example by being taken by surprise and showing itself to be helpless and paralyzed.

What do you think of Chancellor Schmidt's proposal that the East and the West should both refrain from stockpiling new or additional medium-range weapons for a specified number of years, and make use of this time in order to negotiate?

It is not a new proposal about armaments that the Chancellor has made. The suggestion merely represents his capitulation to the splinter group leader Herr Herbert Wehner and left-wingers in the SPD.

A short time ago an emissary of Herr Wehner's went to Moscow for discussions, behind the back of the Foreign Minister but with the knowledge of the Chancellor. The proposal that came out of the discussions was certainly not new, but one the Soviet Union had been urging some time ago through all available diplomatic and political channels, which was to the effect that the NATO resolutions on additional weapons taken in Brussels should be made to come to nothing.

This would mean that disarmament talks would be car-

ried on with the Soviet Union for an unspecified number of years, during which time the Kremlin would be free to accelerate the build-up of medium-range rockets, which already represent a potential threat to Europe. As the SS-20s are fired from mobile launching trucks, they can be deployed very quickly. This is yet another proof of Chancellor Schmidt's submission to his party's left wing, and of his swing towards total unanimity with the opponents of the Brussels rearmament decisions. But I feel that this change in Herr Schmidt's attitude was willed and planned by Herr Wehner so that it could provide his helpers with a motive for getting Herr Schmidt invited to Moscow.

How do you rate your chances in the forthcoming October general election?

A politician who does not believe he can be successful, and fights for it, has no business to take part in democratic elections. I am convinced we have a real chance and have good grounds for expecting us to win the Bundestag elections on October 5 if we show sufficient resolution and unity of purpose, and if we set about in a credible and convincing manner to bring home to the German people that the zigzagging policies of 10 years of SPD/FDP governments were their constant changes of policy, disappointed hopes, excessive financial burdens, halfheartedness, illusions about detente and the narrowing of the ideological horizon, must be succeeded by a policy based on realities and resting on clear principles, a policy that will safeguard peace and ensure freedom for all the people of West Germany.

What do you feel about opinion polls?

Opinion polls and their results can provide useful information for politicians. But they should not be misused in order to influence opinions. Democracy is no substitute for democracy.

What do you think the political scene in West Germany is likely to look like in two years' time?

I am no believer in political astrology. I hope, though, that Germany even two years from now will be a country of free and creative people, with internal liberty and stability, socially at peace and externally secure, with its political friends and I will at any rate make every effort to bring this about. What do you like and dislike about your opponent Herr Schmidt?

Herr Helmut Schmidt is a man who finds himself in between two different worlds, the dream world of the Socialists and the pragmatic world of reality. Because of the growing strength of the left-wing Socialists in the SPD and their ability to enforce their ideas, Chancellor Schmidt is unable to pursue the kinds of policy which, with his intelligence and experience, he would really like to pursue. He is the prisoner of his own party, and as such has shown great dexterity over his continual shifts of opinion when, as I say, he often thinks in the same way, only he cannot speak his mind for opportunistic reasons in the face of the increasing strength of the left wing of the SPD.

There are many areas where the CDU/CSU opposition has helped Chancellor Schmidt to gain the majority vote in the Bundestag which he was denied by his own party on ideological grounds. Examples I can mention are the question of rearming Nam, the policy on nuclear energy and the campaign against terrorism. Helmut Schmidt is opposed by the SPD, whereas on all these questions that are so vital for our country I have the united support of the CDU and CSU.

### Viewpoint

How America sees Europe

## Best of friends with Britain again

stock types of American melodrama. It is perhaps an error on the part of French diplomacy to have appeared to assume that role, more by the language of a few unfortunate speeches than by particular actions.

This feeling that the allies are not sufficiently supportive has been roused both by Iran and Afghanistan, but more by Afghanistan. Americans do understand the need not to push Iran into the arms of the Soviet Union; they do not see that detente can survive in Europe if it is broken in south-west Asia.

While I was in the United States I did not detect any difference between individual candidates on their attitudes towards Europe. What is happening however is that the American parties are increasingly coming to identify with European parties of the same political colour. The Democrats do not identify completely with socialist parties because, after all, they are not socialists. But they do identify readily with the moderate leadership of social democratic parties including, particularly, the SPD in Germany.

The Republicans identify with the Conservatives in Britain. Because they are not a religious party their identification with the Christian Democrats but they have sympathy for the leaders of the Christian Democratic parties. Although the new German and American elections come close together I did not hear any discussion about the possibility of a Strauss victory in Germany. I think that the Americans are assuming that they will be dealing with the existing Chancellor of the Federal Republic, and with the existing President of France for an indefinite time ahead.

The long held view of American policymakers is that British membership of the European Community is good for the United States; it is good for Europe and is certainly good for Britain. They believe that British membership is a benefit to the United States despite their feeling that it adds to the competitive power of the European community in terms of trade.

They believe that a close and permanent relationship between the United States and the European community, with roughly equal economic capacity but unequal defence capacity, is essential to the welfare of both partners and, perhaps, therefore to the survival of liberty in the world. They see Britain as a weak economic link but as a strong international link with Europe.

The events of recent months have tended to make Americans feel that Britain is the one European nation which sees the world in the same way that they do. They read Mr. Thatcher's speeches and they half believe that he is threatening to throw Britain out of the European Community because the British are sympathetic to the American position over Iran and Afghanistan.

The tensions between Britain and France, which perhaps have more to do with local economic issues, are seen as reflecting a French resentment of American power or American culture. Thus, at present, France has gone some way in justifying General de Gaulle's view that Britain and the United States would always be together as "the Anglo-Saxons".

William Rees-Mogg

## EEC should now consider advice of 'wise men'

"The secret of the Community machine lies in its institutions." This observation was made recently by M. Edgar Pisani, the French Socialist member of the European Parliament and former minister under General de Gaulle. He added: "Since the Council of Ministers has stopped taking decisions, the Commission has lost the will to make proposals and the bureaucratic system has developed inexorably."

Since the Treaty of Rome, the balance between the European institutions has on the one hand varied according to the existing state of political balance, and on the other reflected the manner in which each of them has been run, depending on the particular time and the individuals in charge. During 1979 several reports on this question were commissioned from teams of "wise men", which goes to show that it was worth asking. Has not Presidentiscard d'Estaing himself spoken of the institutions getting out of control? Proposals have been put forward on all sides.

The time has now come for decisions. As we enter the middle of 1980, we find an interesting conjunction of cir-

cumstances which could influence developments in the Community during the first part of this crucial decade. The European Parliament will soon complete its first year since direct elections, and it will be an appropriate time for it to weigh up its record over a period in which it has made itself a focus of attention, taking bold initiatives and declaring its position on the most vexed issues rather more effectively and, as a rule, more often than the individual national parliaments. It is seeking to secure the best position for itself in the new institutional dialogue.

The Commission, the central agency of the Community's activities, is reaching the end of its term of office, so that new members will, before this year is out, have to be appointed and a new president selected for a four-year term. At the same time, the urgency and importance of the decisions to be taken by the Nine are lending vital significance to the meetings of the Council of the European Communities, whether they be seeking means of attaining British dissent over the budget, improving the workings of the Common Agricul-

tural Policy or aligning positions (short of agreeing on a common one) on far instances, the situation in the Middle East.

After years of talk about political cooperation without a lot of action, there now seems, strangely enough, to be more action than ever and almost no talk. Is this something that cannot be admitted for political reasons or more a matter of strategic necessity? The fact remains that many decisions on issues of common interest—and often of great importance—are now taken on the basis of full but rather informal consultation outside the sphere of the official Community institutions.

In the same way as the central banks, foreign ministers now confer regularly by telephone and telex. More than this, we have had the recent example of the ambassadors to Iran of the nine European countries working together on the drafting of the reports which each was to send back to his central administration, in which they all expressed reservations about the likely effectiveness of economic sanctions. In working according to a new continued on next page

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## EUROPA

## EEC should now consider advice of 'wise men'

continued from previous page

the Commission is once again a key issue. It is in principle an independent body whose function is to make proposals, to suggest new directions to the member states, but this role has gradually been denatured. While drawing inspiration from time to time from the Council, it has been gradually changed into a mere secretariat carrying out instructions. This development is highlighted by the fact that between Council meetings, Strasbourg rather than Brussels has become the main centre of day-to-day news about Community life. The members of the Commission have lost a little more of their intimacy and authority with the media to the directly-elected MEPs.

Is this a good or bad trend? Many members of the European fraternity believe that it is, anyway, irreversible and that if it is to be accepted that the Commission is destined to become a sort of technocratic executive, then it should at least be made up of highly competent individuals, which has not always been so.

The choice in June of the new president will be revealing from this viewpoint. To begin with, depending on whether he is a leading politician or a senior administrator, it will be deduced whether he is likely to play a more political or merely technical role.

For the time being, Mr. Gundlach is the only known candidate officially supported by his government. Mr. Joseph Thorne's name is mentioned often by observers, not least because he is from Luxembourg, one of the six founder members — and this is not without significance at a time when a tenth member is about to join. His country has never held the presidency of the Commission and he himself lost the presidency of the European Parliament last year (but he would not be a popular choice).

Another name put forward is that of Mr. Blesbeuvel, the former Dutch Prime Minister and Minister of Agriculture, one of the "three wise men" who were called upon last year to make suggestions on the new balance between the European institutions.

Will the new president follow Mr. Jenkins's example and tour Europe's capitals to state his views on the composition of the Commission? (Mr. Jenkins, it seems, had not wanted to work with Herr Haferkamp, but had to accept him.)

The members of the outgoing Commission are to a greater or lesser extent political appointments who, with

the two exceptions of M. Claude Deshayes and Viscount Etienne Davignon, are often criticized as being neither great politicians nor outstanding technical experts. Moreover, it is claimed, Viscount Davignon has been successful in his role as commissioner responsible for industrial affairs, not so much because he was particularly qualified for the job, but because he has shown previously unrevealed gifts in rising to the challenge. Should similar experiments be tried with the next appointments or is the right approach to opt resolutely for the best experts in the fields covered by the Commission?

At present it is not even certain that the seats will be shared out among member states on the traditional lines. The big countries, especially France, do not seem to have taken very kindly to the suggestion that they might reduce their representation from two seats to one when the Community is enlarged to take in new member states. The European Parliament, for its part, last month passed a motion on a report by M. Jean Rey demanding the right to be consulted on the renewal of the presidency and to pass a vote of investiture and confidence on the next Commission; it also demands the right to vote on all proposals for decisions before they are submitted to the Council by the Commission.

However, as Mme Simone Weil has remarked to us, "the European Parliament must not end up by obstructing the work of the EEC because it is so imbued with Community spirit that it makes too many demands on matters of principle".

The fact remains that the Council's present role far exceeds its terms of reference and an important consequence of this is that matters which should come before the Parliament are by-passed in the mushrooming of "advisory committees" — pressure groups or even decision-making groups — around the Council is deplored by both the Commission and the Parliament.

Will the Council act on the suggestion made by some "wise men" and create a post for a minister to assist its president and report to the parliament? (The latter would welcome such a move, but there is little support for the idea elsewhere.)

Will each of the national governments appoint a minister for Europe? Some of the institutional devices now being proposed or nearing adoption may be of more obvious usefulness than others, but the one certain thing is that it is a time when tension seems to be running high in the Community that proposed changes will take fuller account of specific national circumstances than of the ideals of the Treaty of Rome. Is it not the whole more constructive politically?

Jacqueline Grapin

## Facts and figures

## Still a question mark over economy

After the big rises in prices and interest rates during the first months of 1980, some relief may now be on the way. The curve representing average inflation in the four European countries, at nearly 19 per cent, seems to be approaching its peak. Interest rates too are levelling off, or even easing slightly as in France, and the cut in prime rate from 20 per cent to 19.5 per cent and even 19 per cent by several large American banks has led to a fall in the dollar and has taken the pressure off other currencies.

The outstanding recent development in the United States is the increasing evidence that the growth rate is running down. Retail sales and industrial production both fell during March, by 1.3 per cent and 0.8 per cent respectively. For the first time there has been a drop in capacity use, from 83.9 per cent to 83 per cent, while unemployment has risen from 6 per cent to 6.2 per cent.

After last year's ups and downs, does the first quarter of 1980 mark a real turning point for the American economy? The monthly survey of the chief buyers' association shows that whereas the respondents were still firmly convinced in February that the business climate had improved, they came to decidedly different conclusions in March: dwindling orders led to deepening pessimism. Nevertheless, they still do not expect any slowing down in the pace of inflation.

For their part the authorities as represented by Mr. William Cox of the Trade Department, for instance, are admitting that the turning point has been reached and that the American economy is entering

a small recession, which they expect to have favourable effects on inflation before long. It is by no means certain, however, that events will bear out their hopes.

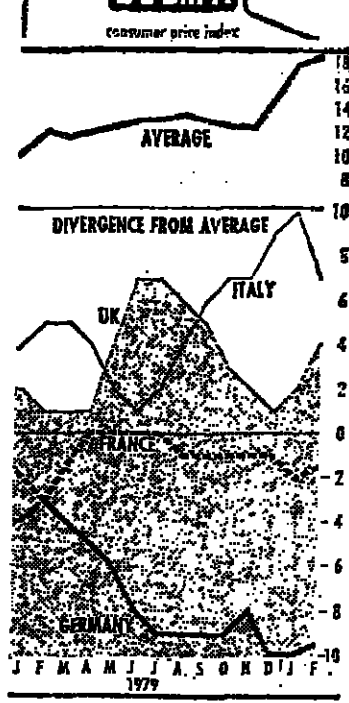
Despite the running down of speculative positions in commodities in response to the high cost of credit — witness the example of silver — inflationary pressures may well continue, or even become intensified. Already, contrary to the hopes of Mr. Alfred Kahn, the White House adviser on inflation, oil prices are hardening once again. American wages are trying to catch up with inflation and it is becoming increasingly commonplace for increases to be made of more than 10 per cent, often with indexation. In spite of President Carter's recommended norms.

Another danger is that in the present electoral climate the Government may be tempted to abandon its programme and go in for heavy action to bolster the two most threatened industries: the motor industry, which has not seen an increase in sales this spring (on the contrary it was 24 per cent down for the first 10 days in April), and the building industry in which the number of houses begun has dropped by 23 per cent.

Whatever the eventual outcome, European governments are relieved to see that American interest rates are coming down slightly in conjunction with the slackening of activity. The West German authorities in particular are able to breathe a little easier.

The Federal Bank was in a particularly difficult situation, with the Deutsche mark handicapped by the combination of low rates and a forecast deficit

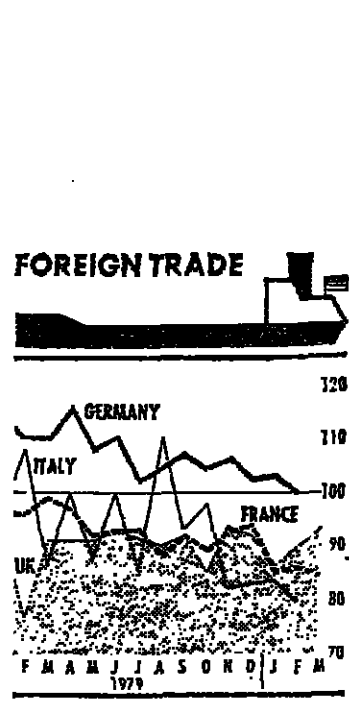
## PRICES



Prices: The average inflation rate for the four European countries was almost unchanged between February and March at the high level of 11.75 per cent. The national rate was the same in West Germany (19 per cent) and more than 17 per cent in France, rose further in Britain from 20 per cent to 23 per cent, but fell in Italy from 25 per cent to 26 per cent. These rates are calculated on the basis of the past three months and expressed as annual rates. The year-on-year rates are 3.5 per cent for West Germany, 13.7 per cent for France, 19.8 per cent for Britain, and 20.3 per cent for Italy.

of DM 20,000m on the current account balance of payments. Rather than raise its discount rate once again (which would have compromised growth without reversing the trend), it preferred to counterbalance the artificial disparity by borrowing abroad. Recent developments in the United States have justified this decision. Thus, with a rising currency, West Germany will be in a better position to combat "im-

## FOREIGN TRADE



Foreign Trade: Cover of imports by exports (calculated fob/cif and seasonally adjusted) registered another fall in France between February and March from 86 per cent to 84 per cent, while in Britain it rose once again over the same period from 90 per cent to 93 per cent. Between January and February there were deteriorations in West Germany (from 103 per cent to 100 per cent), and in Italy (from 84 per cent to 80 per cent).

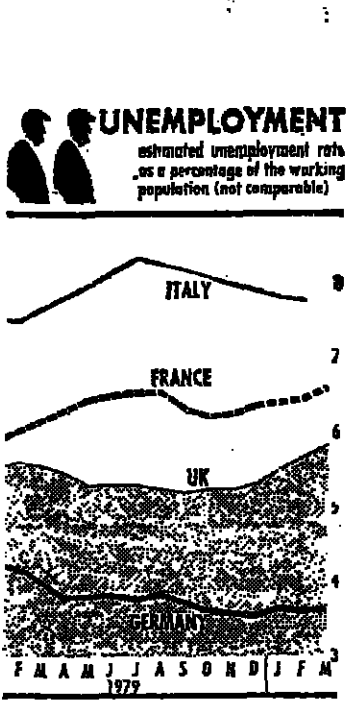
ported" inflation and to sustain its growth rate which as the graph shows is still fairly strong, for a little longer.

France also is greeting developments in the United States with relief. Although the franc has held up well, it would have come under pressure eventually because of France's relatively low interest rates, and its trade deficit, which has been widened by the higher cost of imported oil and the rising dollar, reaching almost 15,000 francs in the first quarter of 1980.

Now that the danger has been lessened, the French economy is less poorly placed to absorb the impact of the rising oil prices, which have led to a recession, contrary to several pessimistic forecasts advanced by various bodies, including the INSEE (French national statistical institute). In fact, the French economy is still managing to achieve some slight growth and the Bank of France, after its most recent survey, believes that this could continue into the autumn. An end is in sight, however, as foreshadowed by the 2.4 per cent volume decrease in household consumption recorded in March.

It is all-important to avoid

## UNEMPLOYMENT



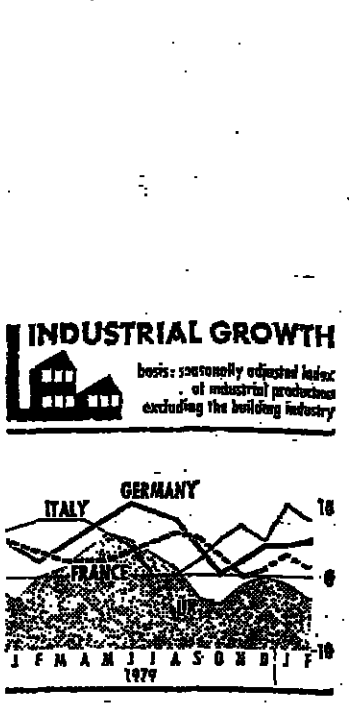
Unemployment: Between February and March seasonally adjusted unemployment as a percentage of the working population continued to rise in Britain from 5.55 per cent to 5.8 per cent, and France (from 6.45 per cent to 6.6 per cent), but was unchanged in West Germany at 3.6 per cent and in Italy at 7.75 per cent.

killing off the recovery in investment which began towards the end of last year, while keeping up the exchange rate of the franc despite the outflow of high inflation, if necessary by borrowing abroad, as has been suggested by the Economic and Social Council in a recent report.

If the difficulties of West Germany and France have been somewhat alleviated by the easier situation in the United States, it has done little to make matters any better in Britain, where the problems are primarily associated with the austere domestic policy. The pound is certainly overvalued. Wages, which have risen sharply, and increases in public utility prices are more responsible for the acceleration in the inflation rate than import prices. As the graph shows, the curve is still pointing upwards and the authorities expect the rate to go well above 20 per cent.

All the indicators are giving out danger signals: activity is in decline and unemployment is once again rising steeply, with the rate up to 5.8 per cent in March and even 6 per cent in April. The only slight improvement has been in the trade balance. The 1980-81 budget recently announced contained no suggestion of any change in the policy of strict austerity being pursued by the Government, which is forecasting a difficult year during

## INDUSTRIAL GROWTH



Growth rates: Between January and February the growth rate remained high in West Germany (+5 per cent) and Italy (+8 per cent), weakened in France (+1 per cent) and fell in Britain (-3 per cent).

which production will fall by 2.5 per cent. Only in the medium term does it expect a fall in inflation interest rates and set up the conditions for a recovery in investment and business activity. The Cambridge Group economists consider this policy damaging and impracticable, and are sceptical of the Government's ability to see it through to its conclusion.

Italy's fortunes, like Britain's, depend less on the economic slow-down in the United States than on domestic decisions. Action is needed to halt the Italian economy's runaway stampede, which may be producing a high growth rate (8 per cent), but is also marked by an ever-increasing external deficit and high inflation (although the rate was slightly down in March).

Britain's discipline under the iron hand of Mrs. Thatcher is sharply contrasted with Italy's laxity in the absence of a stable government and a coherent economic policy. Both countries need to find a middle course, which will carry them through the international hazards in their path. The easier economic conditions in prospect could help them to adjust as long as they actually materialize. This is far from certain, given the persistence of inflationary pressures, not least the paradoxical threat of a further wave of oil price rises at a time when activity and consumption are slowing.

Maurice Bommensath

## Prices rise though food is scarce

## Development aid machinery is inefficient

Conditions in the so-called developing countries are deteriorating relentlessly so that, in most cases, the expression had become a misnomer. Their economies are being eroded by rising import prices, while their food deficit, which was 6 per cent in 1979, is increasing and will reach 8 per cent by 1985. It is clear that development aid from the rich countries is a fundamental factor conditioning the food deficit in the poor countries.

The time has come to say aloud what many people have been saying under their breath: the machinery for development aid in the world is inefficient overall by its inefficiency.

The funds allocated to aid are insufficient. The 1978 total was \$77,000m and there has been scarcely any variation in real terms since 1973. The capital-rich industrialized countries allocate a small and decreasing proportion of their gap to aid (0.37 per cent in 1970 and 0.35 per cent in 1979), and the Eastern block a derisory and stagnant 0.05 per cent of gnp.

The oil-producing countries, contrary to general belief, are alone in making substantial efforts: Saudi Arabia 2.32 per cent, Qatar 2.25 per cent, United Arab Emirates 5.37 per cent, and Qatar 2.25 per cent. There is no justification for this disparity because the wealth of the industrialized countries is much more real than that of the oil-exporting countries. True wealth is constituted first and foremost by human resources and knowledge and then by the underlying industrial base. The oil-producing countries have to hope that before their oil resources run out they will have enabled them to reach the stage of self-sustained development but, until such time as this objective has been attained, they themselves will remain countries whose accession to developed status depends on their success in the acquisition, not of the fruits of knowledge (products), but of knowledge itself (research-development-production).

The multilateral aid systems are expensive to operate. The costs of maintaining the existing institutions are rising much more quickly than the overall budget and there are far too many of these institutions, so that costs are duplicated and this detracts from overall efficiency. We estimate that, as a rough figure, only 30 per cent of the funds allocated to multinational aid is actually used

for development schemes. This is all the more regrettable in that the staff of these organizations are generally highly qualified and their technical skills are not being put to the best use in the present system.

Bilateral aid is beset with similar problems. A considerable proportion, which we estimate at 18 per cent, of all resources is used to finance recipient countries' budget deficits.

The government bodies responsible for development aid often perform the role of keeping public or semi-public research offices occupied by commissioning work of variable usefulness from them. This goes some way towards explaining the sheer volume of reports which are never translated into practical action.

Moreover, this approach militates against the setting-up of authentic research bodies in the field, which have an essential part to play in planning projects which are genuinely aimed to local aspirations and needs.

A substantial proportion of the resources of bilateral co-operation organizations is used to pay the salaries of officials working in sectors whose usefulness is sometimes open to question. This is true of most of the posts in education, which impede the process of Africanization of teaching, staff and underpin a type of education which represents a serious threat to the development and internal balance of most of the countries concerned.

It should also be emphasized that bilateral aid is generally associated with purchases of goods and services from the source country, so that the recipient country becomes more dependent and is not free to make choices which really coincide with its own interests.

Finally, too many cases of the former conditions according to which funds are obtained are such that it becomes impossible to plan how they are to be used. For instance, the time elapsing between the date of acceptance and the date when the money becomes available may be two, three or even four years. However, these criticisms do not apply to the procedures followed by some countries (Belgium and West Germany, for instance), which go to prove that it is still possible to be efficient in this field.

Aid from the industrialized countries generally promotes models and methods which too

often prove unsuitable. A typical example is the case of the Sahel region in Africa.

The largest item in the budgets of recipient states in this region is generally education, which averages 30 per cent of total expenditure. This money is used largely to finance a mass of certificates, most of which do not lead to higher education, so that the ranks of malcontents are swollen year by year.

Projects are rarely organized in the context of the overall view of a geographical area and a period of time. For instance, an abattoir will be built in a town which has no cattle in the vicinity; another town will have a hospital, but no doctors; another will have a fine system of rubbish tips, but no collection facilities.

The selection of projects is always biased towards spectacular advanced-technology schemes involving the inevitable technocratic management which is isolated from the local area and from which the local population are excluded.

The fashion for big dams reflects this approach. So does the recourse for large hospitals, where modest and less costly schemes would often give much better results; large numbers of children are losing their sight because of trachoma although they could have been cured by a few applications of ointment at 30p a tube.

Finally, and perhaps worst of all, for all the oft-repeated declarations of intent, agricultural development schemes, which are of course of vital importance, but are too often imposed from above and set up in an area without involving the local peasant farmer.

The enormous development-manufacturing machine crops short at precisely that crucial point at which real development takes root, without managing to become a part of it and without commitment to support for local populations' own efforts.

In contrast, with the aid agencies' official utterances of optimism, behind the scenes there is deep pessimism in the observations made by those on the sides of aid transactions. In our view this pessimism is not justified, because the right conditions for launching a process of development prevail in many cases.

In the Sahel particularly, the local populations are of the highest calibre. Anyone who crosses the fields in the middle of the day during the hot sea-

son and sees the people working under the sun at its hottest will appreciate their industry. Anyone who reflects for a moment on the exceptionally difficult natural conditions under which they win their crops will appreciate the value of their knowledge. Anyone who has lived among them will have seen their many experiments with new methods.

To the south of Gao in the Niger Valley, I saw recently a group of peasant farmers club together spontaneously to have a bulldozer sent from the town at great expense to build embankments to keep the flood waters under control. Unfortunately, the floods were too violent and the farmers' efforts were ruined.

The natural potential — surface water, river water, groundwater, land, energy (solar energy in particular) — is far from being fully exploited. The abiding difficulty is the problem of defining the operational methods to be put into practice.

Underdevelopment is the erosion of the systems and subsystems which go to make up a community. This erosion has caused a loss of identity. Development aid is a matter of helping these systems and subsystems to reconstitute themselves autonomously and to bind together.

These considerations argue the case for a development aid approach based on local communities and regions, and for the establishment of "thoroughly legitimized deliberative bodies organized around a limited range of responsibilities which are clearly perceived by the community" (Crozier); cooperatives and local assemblies vested with important powers. With this approach, the state can resume its role as a coordinator and spare itself the effort of thinking and acting on behalf of the people.

Studies for schemes of this type are under way in Mali and Senegal, and another is soon to start in Chad. The operation of such projects can restore the identity and initiative of local communities, and in so doing give full meaning to international co-operation. In this way international co-operation can display its resources in support of highly distinctive and authentic regional and national planning, drawing its strength from the initiative of the people.

Philippe de la Roche

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Consequently there is no link with any kind of product orientated exhibition. Transfer of technology is the one and only theme.

Tech-Transfair exhibitors (primarily sellers) have enlisted from such divergent countries as Czechoslovakia, Belgium, U.S.A., Brazil, Poland, Israel, Venezuela, U.K., Hungary, West-Germany, Spain, Canada, Australia and the Netherlands. Visitors to the first Tech-Transfair came from 58 different countries. The largest proportion from Western Europe (some 70%). The other 30% came from North and South America, Eastern Europe, Asia, the Middle East and Africa.

Promotion to developing countries is conducted in cooperation with international organizations in order to ensure the attendance of the most appropriate buyers and sellers. Unqualified visitors are discouraged by an admission of Hfl. 175.— in order to keep the event on the required level.

## Make use of the technology-registration-service

In order to make the most relevant contacts at Tech-Transfair, you are encouraged to describe your technology needs. Your interests are listed by code number (preserving your anonymity) on a flyer that is distributed to all exhibitors. Exhibitors noting a potential technology match communicate to you by placing a note in your correspondingly numbered pigeon hole. You are then in a position to consider a visit to the exhibitor concerned and discuss the opportunity.

## Pre-registration

Intending visitors are requested to register in advance so that registration entries can be handled in advance and in order to have your admission ticket, your badge and documentation ready for you on your arrival.

## Also open on ascension day (May 15th.)

Please note that Tech-Transfair '80 will be also in full operation on May 15th (Ascension day).

## International Conference on: Management of Technology Exchange (May 13-14)

Concurrent with Tech-Transfair '80, leaders in technology transfer from

the U.S.A. and Europe will lecture on the management of this complex process. The keynote address will be given by Dr. Jordan Baruch, Asst. Secretary of Science and Technology of the U.S. Department of Commerce. Official program will be sent on request.

## Basic Licensing Courses (May 12)

Preceding the Conference (May 13th) two basic licensing courses will be held, one for business executives and one for representatives of universities and other forms of higher education. Official program will be sent on request.

Participants in the Conference and Courses will have automatic access to Tech-Transfair '80 (for all four days) and will be also entitled to make use of the technology-registration-service as mentioned above.

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مكتبة من الأصل



## EUROPA

# Banking secrecy: France is odd man out

## SWITZERLAND

Swiss banking secrecy provides almost total protection against revelation of the financial affairs of bank customers to unauthorized people. "Unauthorized people" often include the state, and this frequently causes trouble in Switzerland and abroad.

Not even government officials are given any information by the banks if only taxation matters, and not criminal matters, are concerned. There is no obligation on Swiss banks to supply information to the tax authorities, or even to draw certain facts to their attention. On the contrary, a banker who did so might in certain circumstances be liable to prosecution.

The special nature of Swiss regulations on banking secrecy is that infringements are punishable under Swiss law. Section 47 of the Banking Act provides for a term of imprisonment of up to six months and a fine of up to 50,000 francs for infringement of banking secrecy. Even inadvertent breaches due to unintentional negligence can attract a penalty.

The far-reaching nature of Swiss banking secrecy dates largely from 1934, when capital transfers from Germany were declared illegal, and flouting of the law brought serious consequences. It was at this time that the famous system of numbered accounts was started.

To find out whether Jews whom they suspected of having an account in Switzerland actually did have one, the German authorities used to transfer small amounts in favour of individual suspects. If receipt of the money was acknowledged by the bank under the name which had been given, this constituted evidence that funds had been sent out of Germany; the person would be prosecuted, and often ended up in a concentration camp.

Numbered accounts are given no greater legal protection than ordinary accounts. With a numbered account, however, the identity of the holder is known only to a few selected people in the bank. Not everyone can open a numbered account. Anyone applying to a Swiss bank to do so must give cogent reasons for the additional discretion he is asking for.

The Swiss Social Democrats are rattling at the gates of the banking fastness. They are demanding a referendum on the lifting of banking secrecy if there are grounds for suspicion of tax evasion or defrauding the revenue. This regulation would also apply in the case of tax evasion abroad.

A decision on whether banking secrecy should be relaxed is not due before 1983, and it is generally expected that most Swiss will vote against any such change in the law. But the left, in addition to demanding the lifting of national regulations on banking secrecy where fiscal matters are concerned, is also calling for a change in Swiss practice regarding judicial assistance between countries.

Switzerland always refuses to comply with letters rogatory requesting the waiving of banking secrecy. Government circles point out in this connection that it is not for Switzerland to act as an arbiter on which requests from which countries are justifiable. There have been instances when Italian states have imposed fiscal offences in the case of people they objected to in order to bring pressure to bear.

The only occasions when Switzerland will agree to lift banking secrecy in connection with tax offences concern a separate treaty on official judicial assistance with the United States. This is in connection with the campaign against members of the Mafia, for the American authorities believe that in many cases they can succeed only if they have evidence of the commission of tax offences. Since the treaty came into force two years ago, nearly 70 letters rogatory have been submitted by the United States authorities to Bern, none of them to do with organized crime.

In nearly every instance, banking secrecy is not enforced in the case of criminal offences.

Klaus Niederau

## ITALY

Under the provisions of the Italian Banking Act of 1936, all information and data concerning banks and other credit institutions are subject to official secrecy. This provision also extends to relationships between banks and government authorities: the Banking Act lays down the principle that even information regarding criminal activities should be imparted only to the Central Bank.

As additional protection the Act also stipulates that all employees of the Central Bank are bound to official secrecy, so that even the Governor of the Bank of Italy is liable to prosecution for any infringement.

This general system of banking secrecy has meanwhile become an integral part of the contractual relationship between banks and their customers. Although there has been no subsequent legislation on banking secrecy, usages have become so established in practice as to be tantamount to a system of prescriptive law. This means that in their relationships with their customers banks enter into an implicit

agreement of the customer. And even then—except in special circumstances prescribed by law—we normally give our opinions only about a particular customer, not hard facts," the same bank official said.

As regards information which the law requires to be given in various cases, or as occasion arises, such as automatically reporting to the tax authorities interest accruing in excess of a specified amount on deposit accounts during the financial year, the official shrugged his shoulders regretfully, and said: "There can be no absolute guarantee that outsiders, including officials of all kinds, will never come to learn the details of a private individual's or a business's financial affairs and transactions. The best way in which the ordinary person can avoid this is to have a current account only, which bears no interest."

There is an impressive list of regulations which require banks to supply information about their customers. No fewer than 16 are mentioned in the Lindop report. The main officials or organizations which can thereby have access to such information or are authorized to receive it are inspectors of taxes, the inland revenue office, customs officers, the Director of Fair Trading, the Secretary of State for Industry and his inspectors, the Charity Commissioners, the Director of Public Prosecutions, and—on the basis of a court order—parties in certain types of lawsuit.

Those of us who live in German-speaking countries can feel contented enough with the protection normally afforded by banking secrecy against the little-known inland revenue authorities. Many of our neighbours would probably be more than happy to benefit from the same regulations as are enjoyed by the Germans, Swiss and Austrians.

May we be preserved from one thing, at least—from the idea conjured up by the EEC bureaucrats that a middle course should be worked out as regards banking secrecy procedures, in the interest of harmony.

If it were to come about it would be West Germany which would have to make the concessions, and give up a large part of its freedoms. The only ones then left with a smile on their faces would be the banks in non-member countries—in Switzerland and Austria—where banking secrecy is scrupulously honoured.

Claus Dertinger

Nowhere else in Europe is banking secrecy so strictly preserved as in the German-speaking countries—West Germany, Switzerland and Austria. There the state authorities still respect individual privacy as regards financial affairs. Although the practice in many other countries is different, in these countries it is taken as a foregone conclusion that the private citizen has the right to keep secret what he has in his bank account. (What should we think of a tax inspector or customs officer or some other official who asked to see inside our wallet?)

A bank account does not differ in principle from the contents of the wallet in one's pocket. Naturally, though, people usually keep more money in their bank accounts than they carry in their wallets, and often have other assets too, such as securities deposited with their bank. Hence the desire to pry on the part of the authorities.

However little we may like the idea that officials, and particularly income tax officials, may wish to examine the financial affairs of businessmen and other private citizens, there would seem to be certain compelling reasons when this wish is fully justified: to enable prosecutions to be brought for criminal offences, for instance.

If a bank "obder" raids bank X and deposits his loot at bank Y a few buildings away, the

obligation not to reveal to third parties any information about matters which either expressly or tacitly are to be treated as confidential. This is my last letter. Yours faithfully, The Computer."

This kind of letter is not allowed to be sent out in the United Kingdom today, but it is a genuine letter which was actually dispatched, and, as an indication of the increasing threat to the principle of confidentiality of personal data, appeared in the report of an official commission of inquiry (under Sir Norman Lindop) published 15 months ago.

Meanwhile the finance company concerned has instructed its computer not to print out any more warnings of this sort.

Banking secrecy is an absolute principle in the United Kingdom. But the case of the finance company, the kind of institution for which, in keeping with British tradition, somewhat different standards of confidentiality apply than for banking institutions proper, illustrates only too clearly that there can be legitimate or legitimized reasons for non-observance of the confidentiality relationship between bank and customer.

As regards banks, these reasons can be summarized, ever since the decision of the Court of Appeal in the "Tourist" versus National Provincial and Union Bank of England" case, as release of information in accordance with legal provisions, release of information in connection with a duty towards the public, release of information in the interests of the bank concerned, and release of information with the express or implicit agreement of the customer.

If, as is not impossible, a special law is brought in for the protection of information, after the example of other European countries, it will in all probability, where banking is concerned, follow the essentially British principle of flexibility.

The head of the legal department of one of the big London banks illustrated the possible consequences of over-rigid regulations, including, for instance, the requirement that the consent of the customer must be obtained before any credit information is supplied about him, by citing what happened in Norway. "We have always supplied this information of charge, with the tacit understanding of our customers, as a form of service to the public," he said. "If we were to be obliged by law to reassure ourselves every time that the person concerned had no objection, then, speaking personally, I should argue in favour of abandoning this particular service altogether. That was the result in Norway."

The banking world emphasizes that its policy is based on the principle that information should be supplied only if this is required by law, or with the

agreement of the customer. And even then—except in special circumstances prescribed by law—we normally give our opinions only about a particular customer, not hard facts," the same bank official said.

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Karl Grün

## FRANCE

France has no precise legislation governing the practice of banking secrecy. It is only through a wide interpretation of article 378 of the Penal Code of 1810 that the courts have been able to extend to banks the right to observe secrecy to a degree that varies from case to case.

But the resulting case law has not established a binding obligation to respect secrecy, non-observance of which is a penal offence. Unlike other professional categories covered by article 376, such as doctors, pharmacists, lawyers and so on, French banks can be sued for indiscretion only in the civil courts. Article 1382 of the Civil Code lays down that the plaintiff—the customer—of the bank—must show proof of having suffered damage. Under article 310 of the Penal Code banks are also bound to provide criminal courts with any information demanded.

The French customs and inland revenue are authorized to request banks to supply them with such information they need for the investigation of suspected customs and tax offences, without the need for a court order. Advance notification of their intentions, to the customer, can be dispensed with.

Banks may decline to provide the authorities with information, although if they are in any doubt they are unlikely to refuse. Because French banks are more dependent on government direction than the banks in Germany; for example, they would not want to risk reduction of their credit allocation from the Central Bank, which comes under the direct control of the Finance Minister.

It makes little difference if an account is kept with one of the big state banks or with a private bank. In both cases customers enjoy the same degree of protection against third parties and lack of protection against government authorities. Banking secrecy in France is further called in question through the obligation laid on the banks to supply certain information to the Central Bank. Not only must the Central Bank be kept informed of any irregular transactions such as protests concerning bills, uncovered cheques and so on, but also has to be notified of all new accounts that are opened. If a new account is accepted, the bank is liable for the encasement of cheques for more than 100 francs.

Furthermore, by far the greatest volume of payment transactions between banks are effected through the Central Bank. This means that details

continued on next page

WHEN YOU HAVE TO WAIT FOR HOURS IN THE POST OFFICE, IT'S GENERALLY SAID THAT SOMETHING SHOULD BE DONE ABOUT IT.

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## The ITALPOSTE Approach

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order to find the best solutions to their specific needs. And it was Italpost who planned, coordinated and brought the whole project to completion.

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Italy is certainly a marvellous country for holiday-makers. In every corner one finds thousands of years of history, art and culture. However, there is more to Italy than this. Italy also means advanced technology, painstaking research and intelligent inventiveness.

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A branch of Crédit Lyonnais in Paris.

Günter Depas

## UNITED KINGDOM

This is a letter sent by a finance company to a customer whose account with it was thought to be in arrears: "Dear Customer, I have been designed to write automatic letters regarding customer arrears. So far only you and I



## Banking secrecy: France is odd man out

continued from previous page

are available about their customers' transactions and this information is stored in a national data bank.

Banking secrecy in regard to accounts held by foreigners in French banks is almost nonexistent. Under the far-reaching exchange control regulations in force, the authorities have the right to examine whatever bank accounts they like. The French customs can also take action to attach money held by a bank without the need for a garnishee's order.

Because of this lack of legal safeguards, the French have tried to protect themselves against the intervention of the authorities, in particular the inland revenue, by keeping a part of their (untaxed) income in gold, art objects, or nameless securities, especially bearer treasury bills, on which the state pays less interest.

They also make arrangements to invest a part of their assets illegally abroad. Even in EEC countries, exchange of information between different national taxation authorities has so far remained largely ineffectual. In any case, banks in other EEC countries would be bound only by the exceptions to the principle of banking secrecy permitted under their own national legislation, and these are much narrower in scope than they are in France.

Joachim Scharnuffus

### AUSTRIA

"Since the new Banking Act came into force a year ago, banking secrecy in Austria is at least as complete as it is in Switzerland." So one is told in financial circles in Vienna, with unmistakable pride.

The new Act has indeed considerably strengthened the safeguards surrounding banking secrecy and the anonymity of deposits, so much so that discretion is now not only a matter of honour for Austrian banks and credit institutions but a binding legal obligation. Only in cases of deliberate infringement of the financial regulations or of prosecution can banking secrecy be set aside.

Consequently tax offices have only limited access to bank accounts and deposits. They have no authority to ask for lists of customers or the state of accounts in general, even when a bank is itself the subject of investigation. Only if there is well-founded suspicion of tax evasion can banks be required by law to provide information to the inland revenue authorities.

But there are some forms of deposits in Austria which guarantee absolute anonymity, since even the bank or savings bank concerned does not know the identity of the account-holder. Even under the

much-discussed system of Swiss numbered accounts the identity of the holder is checked and recorded by the institution concerned, but in Austria anybody can open an anonymous savings account or security deposit under a code name, without having to identify himself.

Nor need the holder's identity be declared even when an account is drawn on. Anybody can draw out money provided he produces a savings book or depositor's certificate, and money held in the code name recorded by the bank.

The reason why, despite this, there is less export of capital and tax evasion in Austria than in some other countries lies mainly in its complicated and somewhat illiberal currency regulations. The complete freedom of convertibility that exists in Switzerland or Liechtenstein, for instance, does not apply in Austria. Resident and non-resident holders of foreign currency are treated differently.

For resident foreign currency holders (residence being defined as the principal residence for tax purposes, and not in terms of nationality) the maximum sum that is freely convertible is in the region of £1,000. Any currency transactions for amounts in excess of this sum need the prior clearance of the Central Bank, which requires valid reasons to be produced.

Non-residents are treated more generously. They can bring any amount of foreign currency of all kinds into the country and open a bank account, though they must have the prior approval of the Central Bank before engaging in money transactions, purchasing securities or acquiring investments. Such approval, however, is usually a mere formality. Capital and earnings can be converted and transferred at any time.

The principle of free convertibility accorded to non-resident foreign currency holders only operates, however, in the framework of normal banking practice, and excludes anonymity. For this reason it raises all kinds of problems if fugitive capital is to be invested in anonymous savings accounts or security deposits identified only by code-name and with outdrawings payable to bearer.

Such anonymous accounts and deposits are not in foreign currency but exclusively in Austrian schillings. Essentially, they are treated as resident accounts. Since no declaration of identity is required, any non-resident can open such an account or deposit, and benefit from any earnings deriving from them; interest is paid on them, without any restrictions, at the usual rates.

No financial operations can be undertaken with these funds, however. Moreover, any transfers of large sums could get a non-resident account-holder or depositor into trouble because of the



The tall new building of the Deutsche Bank in Frankfurt.

exchange control regulations. The only effective option open to him would be to take the money out of the country illegally in the form of cash, which in the case of large amounts would not be without risk.

Ulrich B. Marker

### GERMANY

"The business relationship between a bank and its customers is one of confidentiality." This principle, which is in the forefront of general banking practice, is based on banking secrecy. In the eyes of the law, banking secrecy entails a contractual duty on the part of the bank not to disclose details of the amount of a customer's assets or other interests, or in some instances those of non-customers, of which it may come to hear in the course of normal business or by chance.

Because of this duty to observe secrecy concerning their customers' affairs, banks have the right to withhold information from third parties, unless, by way of exception, expressly required by law to disclose it, or save where they are voluntarily released by the customer from the obligation not to disclose information. There are no specific legal provisions or definitions regarding banking secrecy in Germany, but its existence is recognized by legislators and it is an element of common law.

The German criminal code offers no specific protection against infringements of banking secrecy; there are however remedies available under civil law, including those provided for under industrial legislation or the law on the rights and duties of officials. There is too a degree of protection under the constitution of the rights of individual citizens, which also covers the private sphere and the confidential relation-

ship between a customer and his bank.

Banking secrecy is however, subject to certain limitations. The law prescribes a duty of disclosure under public law in matters of overriding public interest, in particular where criminal proceedings and investigations by the tax authorities are concerned. Banking secrecy is also subject to certain limitations under the common law (for example in cases of necessity, or the safeguarding of legitimate interests) or under civil law, either in terms of the statutory right to information (invested in the individual) or of release from the statutory duty to disclose information (with particular reference to banking formation).

Limitations on banking secrecy vary in accordance with the nature of the case. In civil and administrative proceedings in general, as in cases of bankruptcy, composition and voluntary arbitration, the banks can rely in principle on banking secrecy, whereas in criminal cases the right to refuse disclosure is excluded.

There is no obligation on German banks to supply information to the inland revenue authorities on the general state of accounts, deposits or earnings. The only exception is in regard to inheritances. The new banking regulations of August 31, 1977, continue to impose significant limitations on the actions of the taxation authorities in pursuing inquiries with the banks.

These authorities have no power to demand, in connection with general fiscal control, information on accounts or deposits. They can request such information in specific instances, however, always provided that they can justify a concrete ground for suspicion that matters directly related to taxation questions are being concealed.

If the identity of the taxpayer concerned is known, the bank can be asked to provide information if inquiries into the circumstances of the case made by the tax authorities have not led to the desired results, and show no likelihood of doing so.

The same applies to "tax forests" in connection with general fiscal control, or preliminary investigations relating to the setting up of a judicial inquiry into tax offences. In the context of a judicial inquiry of this kind, tax investigators may require banks to provide information without previous questioning of the customer concerned, or safeguarding of his rights under the code of criminal procedure, in their capacity of aiding the public prosecutor's office.

If an outside audit of a bank is being conducted under the direction of the banking supervisory authority, deposit accounts subject to authentication may not be wound up; nor may any public announcement be made by the controlling authority.

Dieter Holzheimer

## Ideology and economy go separate ways

# Grouping of planet and band of satellites weakens both

The Soviet Union and its allies, more than ever, have the appearance of a political monolith, brought about by international tension. And yet, monolithism has almost never been so fragile, at the economic level. This is because of the international crisis.

There is a clear dichotomy between the single, unequivocal political and the differing economic strategies, as is clearly evident in the recent reports of Gierke and Kadar to their party congresses. The reason lies in the political monolithism which has come to lack a solid economic basis. Ideology and economy have not gone ahead at the same rate.

The Comecon, right from the beginning, has had the bluish tinge of an original sin; it has united a real planet, the Soviet Union, with a band of minute satellites. The difference has thus obliged the Soviet economy to intervene in support of the weaker economies of its allies, at the same time burdening them with all its own malfunctions.

In the initial, somewhat optimistic stage, everything was based on a simplistic model: a single economy, which, without sources of energy and raw materials, are practically fabrication economies, obtained supplies from the Soviet Union, and then exported their own industrial products. The immense Soviet market bought everything, and paid for it, at privileged terms. The prices of raw materials for Comecon members were for many years much lower than world prices. Conversely, the industrial prices paid by the Soviet Union to its allies were above world levels.

In addition to economic reasons, there were political ones. With its subsidies, Moscow bought peace in those countries rocked by unrest—especially after the revolts of Prague, in Budapest and Prague, in the unbalanced and tendentially artificial framework of Comecon, but by bit we have seen the appearance of the negative aspects of socialist economic systems copied from the Soviet model: the lack of efficiency, the absence of economic principles, the political measures imposed on financial calculations. Consequently, the Soviet Union and its allies between them were producing increasingly less modern products and plant, at increasingly higher prices.

The technological gap, compared with the industrialized world, therefore became increasingly wider. The Soviet Union started to understand that it could no longer keep up worldwide strategical competition under such unequal conditions. The world crisis then acted as the catalyst for a change of direction: it was felt in the Soviet economy (the growth rate fell by more than three per cent) but it also opened up for the Soviet Union the prospect of becoming, for the Western countries and primarily the European

ones, an alternative market for energy supplies and industrial products. This was, in short, the moment when Moscow realized that "the empire was too expensive".

The allies were told that Comecon prices had to be raised to world levels. Petrol, gas and raw materials were no longer sold to the lesser countries at privileged rates (even the allocations were reduced, since the Soviet Union was trying to increase its exports to the West), while for the allies' products present world prices were applied. In addition, Moscow insisted that machinery and plant had to be close to Western technological standards.

As economic logic prevailed, the lesser countries had a new type of reasoning imposed upon them. They still remain oriented towards the boundless Soviet market but, if they are to satisfy the new requirements of their planet ally, they have to attain quality standards and price competitiveness to or near Western levels. Moscow no longer looks to see whether the label of the goods it buys is red.

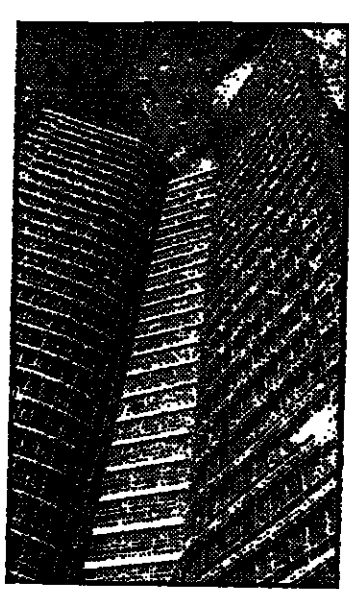
The only way for all these countries to attain Western levels is to turn to the West—to import Western technology to produce products that can compete with Western products in the Soviet Union. It would be an easy enough business, a simple operation on a wider scale, but for the existence of a decisive obstacle—convertible rouble.

The highest failure of Comecon, and the reason for so many of its malfunctions, is its failure to institute the famous "convertible rouble". The Soviet Union trades with its allies within the framework of a clearing system, goods against goods. At the recent Comecon council it was seen that the lack of a "convertible rouble" and the fact that the Russians, while buying a great deal from the allies, do not reimburse them adequately. Limiting their purchases, offering poor quality goods and refusing payment in currency creates enormous imbalances. The lesser countries, with nothing to buy in the Soviet Union, sometimes even become creditors of the mother Soviet. And yet, what they sell to the Soviet Union they cannot buy in the West the plant they need to carry on the technological revolution.

Trade between the Soviet Union and its allies has thus reached a state of saturation. Consequently, the change of direction in Moscow's economic strategy has resulted in a change in the other countries. Very briefly they now export to the West in order to procure the technology and technology needed to bring their own national production up to competitive levels on both Eastern and Western markets.

To start off the change, capital was necessary, since exports to the West were low and the price of hard currency was very high, given the high costs of socialist production. They thus resorted to loans. These were the years in which the Comecon countries became indebted to the West to the tune of \$32,000m in 1976, which rose to \$62,000m last year, with a forecast of almost \$80,000m for the present year, despite restrictions. The Soviet Union's share of these debts is \$20,000m, while Poland has \$19,000m (which is forecast to rise to \$26,000m this year), Hungary \$8,000m, Germany \$8,000m (without the subsidies of its sister country) and so on.

Imports rose over the same period at almost breakneck speed: in Hungary's case, by 35 per cent; in a year, Poland 15 per cent (it already had a very high rate); Romania 32 per cent and the most orthodox and autarchic countries—Bulgaria and Czechoslovakia—increased their Western imports by 25 per cent and 20 per cent respectively. The trade gap with the West thus increased from 40 per cent to 98 per cent.



The 26-storey administrative headquarters of Comecon in Kalinin Prospekt, Moscow.

It was obviously to the advantage of the Western economies to help such a strategic change for two reasons: first, with the extreme uncertainty of the "classic" markets they turned to alternative markets (more stable, and more promising, because of state guarantees); second, they hoped to stimulate diversification between the Eastern countries and thus bring about the so-called multilateralization of inter-European relations, a mirage that always eluded the Ostpolitik of Herr Willy Brandt.

There are now some grounds for hoping it may come about. Even the Western countries have differed latterly in the regards to the policy to be adopted towards Moscow, and the reasons have been clearly economic: Europe needs the socialist markets, whereas the United States needs them less.

A parallel phenomenon can be found even in the Eastern countries, which makes it vital to expand commercial relations with the West. Each of them seeks its own road, since the

hopes for a multi-sided relationship between Comecon and the EEC have evaporated. The change is concealed however. None of the Eastern leaders can openly admit to having his own new strategy. However, they all make it clear that they fear the collapse of the Western economies almost as much as the Westerners themselves.

The same is also true of the Russians. They see the European economy as being obliged to contribute to the technological takeoff of the Soviet Union. And they hope that that will contribute to its detachment from the United States. "Without Russian orders, more than million European workers would be out of work," one Moscow academic said, explaining the very ready availability of Western loans. As Pravda said some time back: "Paris and Bonn never forget that their balances with the Soviet Union will this year reach 14,000m francs and DM7,000m respectively."

These lines of thought explain the reasons why Moscow is exposing itself to the dangers of allowing its allies to have autonomous trade policies. It is lightening its own commitments, and transferring them to the West, hoping to be able to influence and condition to a greater extent than it will itself be influenced and conditioned.

However, the Soviet Union's interests within the framework of the new economic strategies need not always coincide with the interests of the individual allied countries which have been induced to seek, each on its own account, an outlet to the West. For this reason, Moscow, in exchange for the pluralization of economic policies, asks its allies for narrower political monolithism. In the behaviour of the Western powers towards Moscow, economic reason prevails over political reason. We shall see which of the two will turn out to be stronger in the East where, by the nature of things, political and ideological considerations have so far always dominated economic ones.

Franco Barbieri

## On the contrary

# La crise polyvalente

L'aspect le plus frappant de la crise européenne n'est point l'importance des intérêts en cause, mais le clivage psychologique qu'ils révèlent. A Paris et à Londres notamment, l'on a eu l'impression récemment d'habiter deux mondes différents.

Pour les Français, tout est clair et indivisible. Qu'il s'agisse du mouton, de la pêche, de l'agriculture ou des ressources propres, les procédés britanniques risquent de démanteler le Marché commun. Afin d'acheter du mouton néo-zélandais, la Grande-Bretagne essaie de vendre le sien en France, mais sans une organisation du marché pour assurer les transitions et les sauvegardes nécessaires. Elle refuse en même temps une politique commune en matière de pêche. Elle cherche à défaire la politique agricole. Elle met en cause les principes budgétaires auxquels elle a déjà obtenu une dérogation partielle.

Aux yeux des Anglais, au contraire, c'est la France qui est déraisonnable. Elle n'applique pas la décision de la cour en ce qui concerne le mouton. Ses pêcheurs vont à la conquête des eaux et des poissons britanniques. Paris défend obstinément un système agricole dont les exportations de beurre subventionnent l'économie des envahisseurs de l'Afghanistan, ainsi qu'un mécanisme financier qui a pour effet de prendre aux pauvres ce qu'il donne aux riches.

Il ne suffit pas de négocier, même au "sommet" il faut lire plus attentivement les journaux des autres.

Pangloss

## Centre for Industrial Development

In last month's issue of *Europa* we carried an article by Marcel Scotto entitled *A dabbler in deep water—industrial centre needs clear role*. Mr Roger Theissen, director of the Centre for Industrial Development, has written to us commenting a number of statements contained in this article. He makes the following five points:

1. Your statement that the record of the centre is "lamentable" and "a failure all along the line" contradicts all the reports issued by the African, Caribbean and Pacific-EEC Committee on Industrial Cooperation, the ACP-EEC Advisory Council and the ACP-EEC Council of Ministers, which, in their capacity as supervisory bodies, have regularly checked the results of the centre's activities during the three years of its existence, without ever expressing such adverse comments.

Moreover, the author of the article, who refers to the words of a senior official of the European Communities, could have consulted the General Reports of the European Communities which deal with

the centre's activities in the following articles: for 1977, article 541; for 1978, article 515; for 1979, article 568. All these articles are absolutely contrary to the author's appraisal.

2. The mandates of the director and deputy director were by contract to have terminated on March 1, 1980, the date of expiry of the first Lamé Convention. Far from giving notice to the directorate of the centre, as indicated by your correspondent, the responsible authorities of the Communities and the ACP states have asked them to continue with their mission, at least for a transitional period.

3. In his first paragraph your correspondent associates the centre with a project to set up a small steel plant using scrap iron.
1. I should like to emphasize that the centre has, on the contrary, by letter of October 14, 1977, clearly distinguished the government concerned from implementing this project on the ground that it would be economically unviable.

4. Concerning the figure of the centre's actual project interventions, it seems hardly conceivable that "the Community authorities and the ACP countries challenge this record". Given that 21 projects out of the total number of 379 direct promotional interventions of the centre have already reached the implementation stage, that is, joint-venture and/or finance agreements were signed between the interested ACP-EEC partners at the end of 1979.

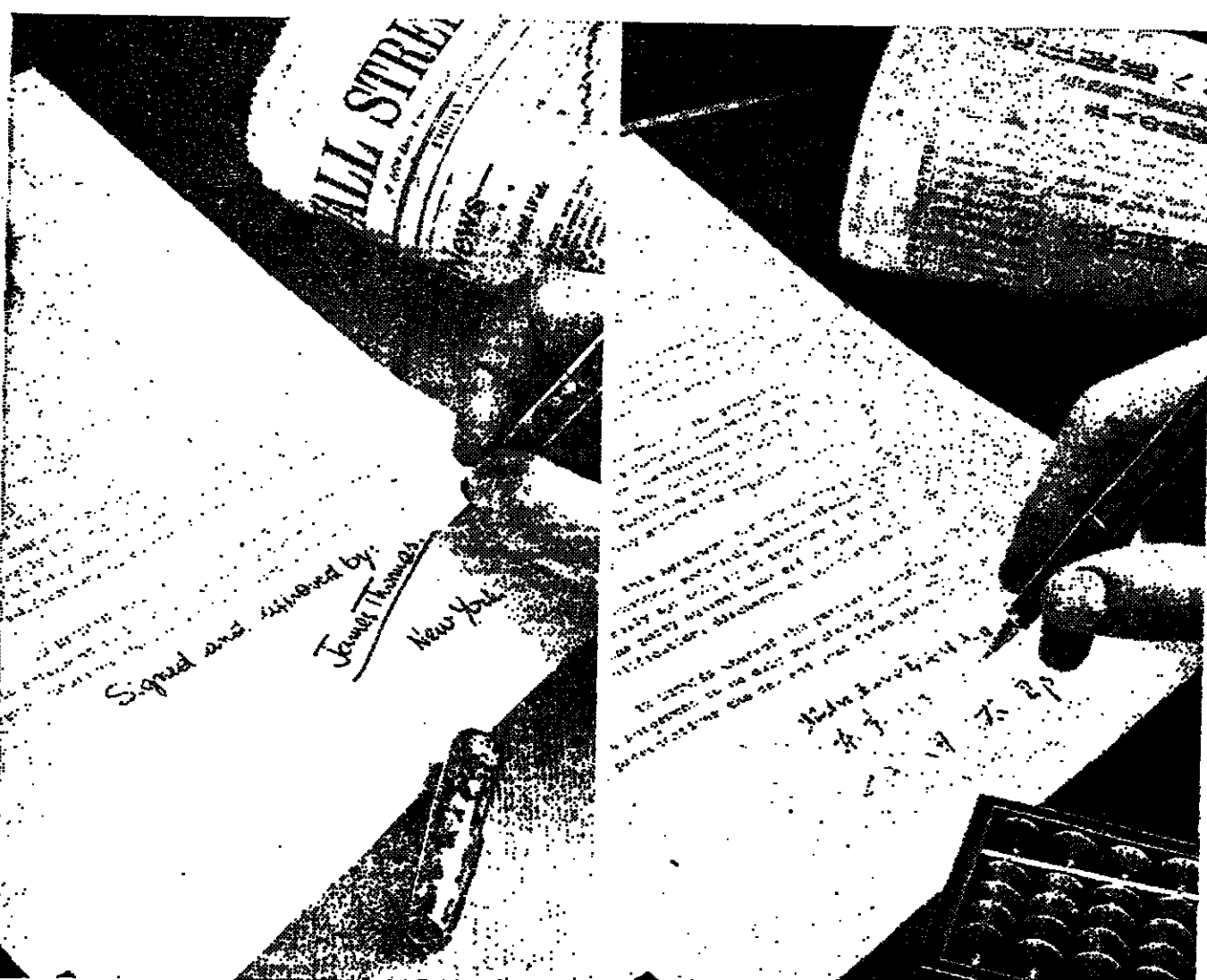
Moreover, it should be emphasized that the centre's activities are not restricted to the mere creation of new industries but also include technology transfer and adaptation, industrial information and training, as well as the rehabilitation of industries experiencing difficulties.

Pursuant to the statutes, the role of the centre is well defined. It has the role both of a catalyst and of an operational body in charge of providing assistance, and at no time can it interfere with the activities of the industrialists concerned or of the other Community institutions. Consequently, the centre cannot be considered as an "interloper" by the Commission or the European Bank of Investment,

whose respective roles are clearly defined by the Lamé Convention. Moreover, these institutions have taken over several interventions started by the centre.

5. Contrary to the statement that the centre "has had almost no contact with the EEC delegations in the ACP countries", the centre's activity reports emphasize the importance of the efficient assistance provided by these delegations. Moreover, in compliance with its mission, the centre has regular contacts with the missions of the ACP in Brussels, the government authorities of the countries concerned, the regional institutions above all with the ACP-EEC economic operators.

Far from questioning the function, the centre wishes to underline the importance of the responsibility and the co-operation of the ACP-EEC authorities achieved. This parity principle, which is the very essence of the convention and its main originality, cannot be questioned without disastrous effects on the cooperation between the Lamé partners.



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## MAY DAY! MAY DAY! MAY DAY!

The symbolism of the May Day bank holiday is like that of Good Friday: it is not a holiday of celebration, but of grief and reflection. Some years ago an imaginative British Government apparently foresaw the danger that the British would forget what totalitarian socialism, that is communism, had done to the world, would forget the nations enslaved, the tens of millions killed, the destruction of humanity and liberty, the dark night. They gave us a holiday of remembrance.

Even that Government did not foresee Afghanistan, or perhaps Sir Denis Follows, who himself sees one. They did not foresee that British athletes might choose to celebrate the Olympic Games in Moscow while the Russians were suppressing the freedom of Afghanistan, trailing the Union Jack in the blood of the victims. But they must have understood that many of the British, like most other people, want to pretend that there is no such thing as organized evil in the world and to forget that evil can only be resisted by recognition and vigilance.

## Enslaved nations

On the festival of May Day, we should therefore remember all the nations that have fallen to communism. First of all there are the component nations of the Soviet Union, including the Solzhenitsyns is right to remind us that the Russians are the first and perhaps even the greatest victims of the Bolshevik tyranny. (It is a mark of the horror of that regime that to use the purely descriptive party name "Bolshevik" sounds as if one was using a form of propagandist abuse—like calling people "Nazis".)

What is certain is that the other nations of the USSR suffer from this tyranny. We should particularly remember the Russian Jews, who suffer from extreme discrimination in education, employment and the practice of their religion; their passes, uniquely among Soviet citizens, are stamped with their race as "Jewish" and not with their soviet nationality of birth, "Russian", "Ukrainian" and so on. In Russia to be a Jew is purely a racial question—it is not the proud badge of those who identify their own loyalty or religion, but a racial category enforced by the state.

One should remember the Ukrainians, just as much an oppressed nation as the more recent Soviet conquests of Europe. One should remember the Crimean Tatars, whose genocide, exposed to the gaze of Stalin, and still not allowed home, should not be forgotten even by the dupes of the Soviet tourist thought control. One should remember the oppressed religions of the Soviet Union, not only the Jews but Christians of all denominations and Muslims.

Beyond the original Soviet Union there are the European nations under Soviet power. There are Estonia, Latvia and Lithuania, nations which have actually been incorporated in the Soviet Union against their will. There is Poland, and oppressed Czechoslovakia, whose Government is uniquely contemptible even among Soviet Governments, so panic-stricken that it is even terrified of Aristotle. Timid and guilty tyrants who are traitors to their own nation, fear the most distant echo of truth. There is

Bulgaria, which shares with Libya the nervous gangster's habit of assassinating its emigres. There are Hungary and Romania, and there is East Germany, with its great wall to keep its citizens in.

That makes a total of nine European nations which have been enslaved by the Soviet Union. Not one of these nine nations would support its Soviet or Communist rulers in a free election. Although some have been enslaved for over forty years, and all for over thirty, their nationhood and their desire for independence remain. What scorn one must feel for those statesmen who rule them, surviving either on the basis of their own powers of repression or on the power of Soviet tanks.

In Britain we are lucky: we have always been lucky in our geography. The great slave-masters of Europe have not been able to reach us for nearly a thousand years, not since we were invaded by the Normans. What happened to us then, has happened to most European nations: repeatedly, under Austrian, Spanish, Turkish, French, Russian and German rulers. All these Soviet-ruled nations have experienced tyranny before and freed themselves from it, and they will assert their independence again. In not one of those nine nations is liberty dead. We cannot free them, but the least we should do is to recognize what they are now suffering. That may be some small help to them, and, if we are too cowardly to recognize we shall perhaps live to experience their suffering.

Yet Europe is not the only victim, or at present the most immediate victim, of Soviet power. That fate is Afghanistan. And here again the forces of oblivion are already coming to the aid of the Soviet Union. The Olympic committees pass by on the other side. Public opinion, now that the television cameras are no longer allowed to film the invading tanks, has turned to other matters. The poor Afghans are left to struggle on alone, and to be massacred out of sight of the world. One might use Milton's words:

"Avenge, O Lord, thy slaughtered saints, whose bones  
Lie scattered on the Alpine  
mountains cold."

## Latest victim

Yet this tyranny knows no bounds but the world; the claim and the threat of Soviet power are universal. Wherever that power is found there are the same evidences of nations suffering under its violation. We should particularly note how men will risk death to escape life under communism. At this very moment small boats that cannot stand the weather, are putting out from Cuba, as they put out from Vietnam. To a citizen of a Communist regime it is not just the personal threat of prison from which he flees; common thought that threat is his whole nation is in prison.

Beyond that there are nations which have freed themselves from the Soviet Union, but not from communism. These have ranged from the most unspeakable regimes, like that of Pol Pot—murder by the million—to a regime, Tito's Yugoslavia, which has moved back some way towards liberty. China is still a most repressive regime; China shares our fears of the Soviet Union, but the Chinese regime itself remains an example of repressive communism.

Nations enslaved, tens of millions killed, great armies of refugees, and for what? For the millennium? Not certainly for those hopes of a higher liberty which the early socialists entertained. There is nothing but the death of liberty in communism. For social equality? The master class of communism has privileges unknown to the West. In the West we have privileged education as they do, and privileged health services, as they do. But we do not have privileged shops, to which only the elite can enter, where they can buy subsidized goods not available to ordinary people. It is as though Harrods were reserved for Members of Parliament and senior civil servants.

Was the revolution for economic efficiency? Russian agriculture is less productive today than it was in the time of the Czars, when Russia was the great grain exporter. The productivity in Russian industry is substantially less than half the European or Japanese average; even East Germany, probably the most efficient communist country, is less than half as efficient as West Germany. The Russian economy is a catastrophe, a case history of oppressive and incompetent state planning. Corrupt, too.

## Duty to survive

What is communism's strength? Only that it exalts the state; it pushes the principle of total and unqualified state power further than it has ever been pushed before, further than Caesar, further than Louis XIV, further even than Napoleon and Hitler. The great tyrants of history pale before it and acknowledge in Marxism their master. All tyranny is inhuman, and the most absolute of all tyrannies is the most inhuman.

As communism idolizes the state, it exalts the chief functions of the state, including the repressive and aggressive functions. It is a doctrine of police power. It is always dangerous, not only being well armed, but—as in Afghanistan—willing to strike. If we wish to remain free, we should not hide from ourselves Soviet military power or the military threat, and must always be on our guard.

A system such as this makes claim to the support of the people but has no natural root in humanity, and that is its great weakness. The tyrannies of the world have all crumbled to dust. They start in revolution, they thrive in oppression, they command no love and they end in despair. It is neither in power nor is it our duty to destroy communism, for this process is happening already. It is our duty to survive communism, and to do that we must have the courage to recognize Soviet communism for what it is.

Many good people wish to forget, to forget Afghanistan, to forget Pol Pot, to forget the Vietnamese or Cuban boat people, to forget Czechoslovakia, to forget Hungary, to forget the Gulag Archipelago, to forget the KGB and to forget Stalin. If we wish to survive we cannot afford to forget. It was indeed a wise Government that gave us a May Day holiday of remembrance, knowing that May Day is the day on which the Soviet barons celebrate the achievements of their power and is also the internationally recognized call signal of distress.

## Charge for eye tests

From Mr David Heath  
Sir, Ever respectful of my elders and betters in the optical professions, I have until now refrained from writing on the subject of the introduction of charges for the sight test recently announced by Mr Jenkin. Having however waited in vain for some more distinguished colleagues on this matter, may I be permitted to express my deep concern at this measure?

I feel that the imposition of a £2 charge for an examination under the National Health Service is to be deplored on two grounds. Firstly, although the charge will be no more than an added and unwelcome burden to those patients for whom regular testing is essential to maintain their visual performance at an adequate level, to those who might be termed "casual" patients, requiring a check-up or routine examination it will inevitably prove a deterrent. The result will be a significant lowering of the standard of eye care in this country, with many ophthalmic conditions remaining undetected in their early stages.

The second ground for objection is whether the Health Service is justified in introducing such a charge in any case: that the individual is entitled to medical examination without charge has been heretofore one of the basic of the NHS, and the present measure, even though confined to ophthalmic services, is a serious departure from that principle.

When the cash saving, especially in view of the extra administrative costs involved, is not at all great, might not Mr Jenkin and his colleagues be wiser to consider very carefully what must concern very many both amongst those working in ophthalmic services and of the public at large?

Yours faithfully,  
DAVID HEATH  
Preston House,  
Wiltshire.

## Choice of Mr Reagan

From Mr Stephen Aulsebrook  
Sir, In your editorial: "Who Will Run With Mr Reagan?" (April 24), you state that in 1964 the Republican presidential nominees' choices for running-mates have been "an almost comic reflection upon the political judgment of successive Republican candidates". That is most certainly true. May I venture somewhat further, however, and suggest that the apparent choice of Mr Reagan as the nominee of the Republican Party for this year's presidential election is a truly comic reflection of the political judgment of a large proportion of the American electorate.

Yours sincerely,  
S. W. AULSEBROOK,  
24 Richmond Mount,  
Leeds.  
April 24.

## Au pair regulations

From Dom P. L. Maylink  
Sir, May I bring to your notice the extraordinary circumstances of the present au pair situation. The Minister of State for the Home Department has rejected a request made by members of both Houses of Parliament to withdraw the preventive measures against non-European au pairs now incorporated in the Immigration Rules.

As the regulations stand, only a girl "who is a national of a Western European country, including Malta, Cyprus and Turkey, may come to the United Kingdom to learn the English language and live for a time as a member of an English-speaking family". (White Paper, *Proposals for Revision of the Immigration Rules*).

It appears unrealistic to argue that a return to the original au pair practice, whereby European girls desirable, since the First World War, not only has the education of girls, become universal but facilities for travel and the broadening of ideas

have led young people from the Far East and most countries of the world to complete their education in Great Britain or the United States.

Among these are the au pair girls, some of whom cannot afford to stay here as full-time students; others, whose parents prefer to place them with families, to be aware that unscrupulous groups of agencies have used the au pair system to bring foreign girls into this country for full employment. That illegal entry should be stopped is not disputed, but the present arbitrary regulations punish the innocent and may, or may not, prevent the guilty. It is hoped that they will be short lived and that English families will soon have freedom to welcome an au pair girl from Japan or Israel on equal terms with others from France or Denmark.

Yours faithfully,  
D. FLACID MEYLINK, OSB,  
Director,  
International Youth Welfare,  
29 Bramley Road, N14.

## Overcrowding of prisons

From Mr Marilyn Turner  
Sir, I am a visitor at Pentonville Prison. I spend much of my time with prisoners who, it seems to me, should not be in prison in the first place. I refer in particular to the "deportees", many of whom have never been in trouble with the law, and all of whom are ashamed by their situation as they languish in their crowded cells for weeks and months because those in authority have denied them bail.

If the Home Secretary became a Prison Visitor he would not find the task of emptying the prisons anything like as formidable as it may seem to him from the floor of the House of Commons. He could start with the "deportees".

Yours truly,  
MERLYN TURNER,  
24 Harborton Road, N19.

## Organising schools in London

From the Leader of the Inner London Education Authority  
Sir, Public confidence in a body such as the Inner London Education Authority is of paramount importance and you are right to refer to it in your leading article on the ILEA's future (May 2). But the ILEA is far smaller than any of the English and Welsh counties or Scottish regions and even than eight of the metropolitan districts in the north. Communications within it are better than in many of these areas. The population, including child population, within the ILEA has never been smaller than it is at present and the projections show a continuous decline over the next decade.

You say the ILEA's "lines of communication are long, a fault emphasized by over-centralization of administrative control". This completely ignores the fact that Inner London, alone among urban authorities, has a well-organized divisional system of devolved administration. While major policy decisions are taken centrally, the schools are administered through local divisional offices and all ILEA schools, colleges and institutes are served by governing bodies of local people.

You say that we spend "more per pupil than any other education authority". I do not think our exceptionally good pupil-teacher ratios are a matter for apology. We could, of course, reduce our costs by worsening the ratios: is that what our critics really want?

In fact, expenditure per head on social services and housing in inner London, which are borough responsibilities, is very much higher than the national average. Expenditure on education accounts for a substantially lower proportion of total expenditure by local authorities in London (42 per cent) than it does for the country as a whole (50 per cent) and is about the same per pound as in inner and outer London boroughs.

You appear to think it remarkable that the ILEA "has power to raise money at its own discretion through the boroughs". But this is no different from the power of the counties to levy a rate on their constituent district councils. Whereas the districts have no representation at county level, the inner London boroughs are directly represented on the ILEA.

If the Government's examination of the Authority is a genuine attempt to establish the facts, rather than to rely on the Baker Committee's diet of inaccuracy, half-truth and prejudice, then I welcome it and our teachers, parents and pupils should have nothing to fear.

Yours faithfully,  
SHELEY BRAMALL,  
Cassell Hall, SE1.  
May 2.

## Common task

From Mrs J. Coads  
Sir, The reasons given by Sir Kenneth Figg and Mr Oliver Sheppard (May 2) for deploring the cessation of the fagging system at Eton show them to be mere chauvinists of the deepest dye. How is it that vast numbers of young men, including geographers and the highly educated, manage to carry out the "menial tasks" of cooking, cleaning, and emptying bed-pans and chamber pots, not for a few months but for the rest of their lives, without even feeling that their self-esteem is thereby lowered? Almost they persuade themselves to become a feminist.

Yours faithfully,  
JANIE COTTIS,  
Baron's Farm House,  
Charlton,  
Wantage,  
Oxfordshire.  
May 2.

## Unwillingly from school

From Mr C. L. Fox  
Sir, Mrs Betty Carter's reason for the length of school holidays (May 2) is pitiful and neatly balanced but mistaken. Childhood, while we are enduring it, is not short. It is an endless summer afternoon which, if one's desk was in the back row, one could sometimes shorten by falling asleep. It is our youth, not our childhood, that goes too soon, and any Katy didger will testify (though the years after 70 have skates on, too).

I have always been told, particularly at times of salary negotiations, that the reason for these long holidays is to enable those hard-pressed professionals of the classroom to keep up-to-date in their subjects by reading and research. Teachers in kindergartens, for whom research is not quite so necessary, need time to recuperate.

Yours sincerely,  
C. L. FOX,  
Heathcote,  
The Ridges,  
Fitchamstead,  
Berkshire.  
May 2.

From Mr T. H. K. Barron  
Sir, Years ago my housemaster told me that the needed long holidays in order to keep sane. The eccentricity of many teachers suggests that we have the balance about right.

Yours faithfully,  
T. H. K. BARRON,  
3 Carnarvon Road,  
Bristol.

## LETTERS TO THE EDITOR

## Choosing a new chairman for British Steel

From Dr Jeremy Bray, MP for Motherwell and Wishaw (Labour).

Sir, We must not forget that, despite the farcical misjudgment in the appointment of Mr Ian MacGregor as chairman of the British Steel Corporation, a great industry with many thousands of men and many billions of capital has to go on operating. If Mr MacGregor has a fraction of the judgement which he has been credited with, he will revoke the terms of his appointment, and give himself a chance. If not, the Corporation must find a way of operating with a lame-duck minister and a lame-duck chairman. There were men within the Corporation quite capable of doing the chairman's job, and now they will have to do it without either the position or the pay.

The strategic issues of the economic context within which the Corporation operates must be faced. Sir Charles Villiers points to these, with his references to the bloated pound and the customer base. But his prescriptions are stronger on rhetoric than analysis. With what ever help it can get from the Confederation of British Industry and private firms, the Corporation must point out to the Government that the steel industry's problems of competitiveness are not unique. Whatever contributory causes may lie in its own efficiency, its problems, like those of other industries, are insoluble in the context of a petro-currency and the present monetary policies of the Government with their combined effect on the exchange rate.

In this the steel industry is the precursor of other industries because of its capital intensity, its exposure to international price competition, and its need for capital goods. That other industries are following is shown by the aggregate financial deficit of industrial and commercial companies at a time of low investment and inventory reduction.

Will the adjustments work through in the stance of monetary policy, the exchange rate, and domestic steel prices, with the cor-

poration doing its best to defend its customer base in home and export markets, preserve its efficient general steel making capacity, and increase its capacity in high quality steels, operating losses will be inevitable.

These are a combination of problems Mr MacGregor has not faced before. Sir Keith Joseph has done nothing to improve Mr MacGregor's reported opinion of politicians and civil servants. But the problems of the British Steel Corporation cannot be solved without entering into these fields of policy.

Yours faithfully,  
JEREMY BRAY,  
House of Commons, SW1.  
May 2.

From Mr Martin Briggs

Sir, Sir Charles Villiers in his open letter to Mr Ian MacGregor (May 2) proposes that an unchanged BSE could save the nation one thousand million pounds in one year.

Mr MacGregor's transfer fee is a paltry 0.18 per cent of that titanic sum. If he is as effective as Sir Keith Joseph says he is it would seem that the nation has got itself a bargain.

What is all the fuss about?  
Yours faithfully,  
MARTIN BRIGGS,  
Cathedral House,  
St Dominic,  
Salisbury,  
Cornwall.

From Mr John Miller

Sir, The cost of employing Mr MacGregor is higher than the combined earnings of the whole Cabinet. Does Sir Keith Joseph who believes in paying people what they are worth know something?

The fact that most of the money for the services of Mr MacGregor goes to his firm makes the matter worse as it prevents the Inland Revenue from getting a fair slice of it.

Yours faithfully,  
JOHN MILLER,  
6 Burleigh Gardens, N14.

## Britain and the EEC

From Mr A. H. P. Humphrey

Sir, Your leader today (April 30), "Disunity in Crisis", is wholly unacceptable. You accuse the Prime Minister of failing to put first things first.

It is always first. Mrs Thatcher was elected to put Britain's interests first. This is what she is doing in refusing to agree to proposals which would require Britain to continue subsidizing the rest of the EEC other than Germany.

I believe the views expressed in your leader will be rejected by a great majority of your readers and by most people in Britain. I hope you will publish dissenting letters accordingly.

Yours faithfully,  
A. H. P. HUMPHREY,  
4 Ashbury Place,  
Worthing,  
West Sussex.  
April 30.

From Mr Christopher M. Jackson, MEP for Kent East (Conservative)

Sir, In our anger at the resumption of butter sales to Russia we should not forget who is really getting the subsidy. It is the farmers of Europe. Butter is purchased by the intervention agencies at about £1000 per ton above the world market price. This £1000 subsidy, which is paid for by us as taxpayers, goes to our farmers and, but for producers. On this argument, the Russians are getting no subsidy if they buy at "world" market prices, above because the true price of butter is the world market price.

There is however a complication. Sales of surplus EEC butter may drive down the world price in a narrow market. If it does, then the Community subsidies anyone.

## Fire Service cuts

From Sir Alan Richmond

Sir, The Chief Fire Officer of Hertfordshire has complained about a decision to close the Fire Service Staff College at Dorking (April 23). The Report of the Departmental Committee on the Fire Service (the Holroyd Committee) recommended that the Staff College at Dorking should be phased out and the work undertaken there transferred to the Fire Service Technical College at Merton.

The facilities and accommodation available at Dorking were limited and could not be improved without large expenditure. The staffing of the college was expensive (£1 full-time equivalent) and the number of specialist teachers was limited. The historic buildings and beautiful grounds at Dorking were expensive to maintain.

The committee had been impressed by the sophisticated facilities which had been developed

## Murder in exile

From Mr K. S. Pavlovitch

Sir, "Yugoslavia is often accused of arranging the murder of Croat émigrés" was stated in your leading article under the title "Colours of Goddard's threat of murder" (The Times, April 29). Why only Croat émigrés, when the list of murdered Serbs is also most impressive: at least one in Paris, three in Brussels, two in Canada, two in the United States, one in Stockholm and two in West Germany, the last one, Dusan Sedlar, on April 16 in Munich. To mention the known cases of kidnapping, one in Switzerland and one in Romania.

I remain, Sir, yours faithfully,  
K. S. PAVLOVITCH,  
Campan College,  
Cambridge.  
April 29.

## Knighthoods for judges

From Mr Charles MacMahon

Sir, It appears that the Government is about to make certain proposals for Northern Ireland. May I suggest that an opportunity now presents itself to correct an anomaly which, for no clear reason, has persisted since 1921.

## Expert juries for fraud cases?

From Dr Michael Levi

Sir, The suspicion of jury-tampering which has led to the abandonment of a fraud trial at the Old Bailey after 134 days, at a cost of some £14m, should raise once again in our minds the rationality of trial by common jury in such cases. The Times has twice advocated trial by judge and expert assessors (March 26, 1972 and January 11, 1973); the case for this is stronger now than it was then, as the number and duration of such trials have increased.

The average length of contested conspiracy to defraud cases committed to the Old Bailey in 1977 was 27.6 days. Almost a quarter of those prosecuted for fraud were even found not guilty; more than one in seven accused were acquitted by juries. When one takes into account the great reluctance of authorities to prosecute for fraud, these figures are all the more alarming. In the course of my research on conspiracy fraud (to be published by Heinemann early next year), I found that the present cost and unpredictability of fraud trials discourages prosecution and encourages fraudsters to believe that they can get away with it. Defence counsel often object to potential jurors who look as if they can understand financial matters; a tactic that can be quite effective if there are a number of co-defendants.

It may not require the nose of a connoisseur to smell bad fish. However, it is invidious and should necessary that a judge should have to decide between spending more than a million pounds more on trial in front of people largely unacquainted with business and allowing accused persons to go free without the sensible form of justice which would be to place the evidence on an alleged £27 million fraud before either a special jury composed of business and professional men or a judge with expert assistance.

Yours sincerely,  
MICHAEL LEVI,  
Lecturer in criminology,  
University College,  
Cardiff.  
May 1.

## Violence on the streets

From Mrs Yvonne Craig

Sir, Your correspondence columns today (April 30) include the report of a serious incident of daytime violence which parallels the violence in which I have just been involved during my weekly lunchtime shopping in Berwick Street market.

As I returned to the Oxford Street junction, a group of youths swinging chains with padlocks came towards me and attacked a boy passing by, whose head and face became covered in blood. I dropped my two bags of shopping, rushed up to the gang and shouted: "Stop it, stop it!" I am over 50 years old, and the youths laughed at me, and then nonchalantly strolled around the next corner. I then tried to help the victim, who said the gang were strangers to him.

My distress for him, and guilt at my own fear and panic were surpassed only by the shame I felt that no citizen stopped, that I saw no policeman during my walk home, and that we, as parents, teachers and governments have failed to provide our children with values, self-discipline and good employment.

Yours truly,  
YVONNE CRAIG,  
27 Ridgmont Gardens, WC1.  
April 30.

## Doorstep deliveries

From the Chairman of the National Federation of Women's Institutes

Sir, Mrs Joan Macintosh, Chairman of the Scottish Consumer Council, referred in her letter (April 21) to Hugh Clayton's "fair but unkind" comment on "divided and muddled" consumer views (April 11). Within the National Federation of Women's Institutes there is neither division nor muddle on the need to ensure the future of doorstep milk deliveries.

In 1978, delegates representing 400,000 women from 3,300 Women's Institutes voted overwhelmingly in favour of the resolution that "This meeting urges the Government to take steps to maintain the British tradition of doorstep milk deliveries".

This Federation believes that the high rate of consumption of liquid milk in this country, which is so valuable from the nutritional point of view, is largely due to the system of doorstep deliveries. Our members are most anxious that no action be taken which might prejudice this valuable service in the United Kingdom.

Yours sincerely,  
PATRICIA BATTY SHAW,  
Chairman,  
National Federation of Women's Institutes,  
39 Eccleston Street,  
Victoria, SW1.

## Horse sense

From Mr D. H. Roebuck

Sir, Surely the Rector of Barton-le-Cley (April 26) would be out leading Kindly Light?

Yours faithfully,  
DAVID H. ROEBUCK,  
Honesuckle Cottage,  
Sandgate,  
Folkestone, Kent.

From Mr M. J. Ashton

Sir, Whilst the correspondence concerning equine nomenclature may be an amusing word-game, it is not also an indication of the continuing decline in the acceptance of standards of truthfulness? From some who should live according to scriptural principles (assuming these are what he preaches) including the requirement for his yea to be yea and his nay to be nay, this would seem to be giving ecclesiastical approval to white lies.

In this case the reverend gentleman's yea will be more of a neigh. Yours faithfully,  
MICHAEL J. ASHTON,  
91 Braybrooke Road,  
Desborough,  
Northamptonshire.  
April 28.







# THE TIMES

## BUSINESS NEWS

**LAINC**  
make ideas take shape

### Stock markets

FT Index 443.6  
FT Gilt 67.7

### Sterling

\$2.2555  
Index 73.2

### Dollar

Index 87.2

### Gold

\$512.50

### Money

3 mth sterling 17.174  
3 mth Euro \$ 131.13 7/10  
6 mth Euro \$ 131.13 1/10  
Friday's close

### IN BRIEF

## Chrysler reaches loan agreement with Canada

The Canadian government and Chrysler Corporation's subsidiary, Chrysler Canada have reached tentative agreement on government loan guarantees.

The government is now waiting for Chrysler Canada to clear the agreement with its corporate parent and the United States Chrysler loan guarantee board.

The company and the government must be negotiating guarantees for loans of about \$150m to \$200m (£66m to £88m) but agreement has been delayed by the government's insistence on guarantees of the number of jobs in Canada.

Talks are continuing. The United States government is also discussing the possibility of a \$1,500m (£660m) federally guaranteed loan to Chrysler.

A decision by the United States loan guarantee board is expected to be made later this week.

### 400 workers go back

Shop floor workers at Ransomes and Rapier, the Ipswich construction engineering company, have accepted an improved offer on pay and working conditions and return to work today. The 400 workers were locked out nearly two weeks ago because they refused to call off a series of strikes and an overtime ban.

### M & G profits dip

Interim profits from M & G unit trust group show a small reduction at the pre-tax level to £1.1m compared with the corresponding six months. However, the group is not paying a dividend because of the need to retain reserves against possible tax liabilities in one of its overseas insurance companies.

### Hunts' Swiss link

The Swiss Bank Corporation said it was not concerned over multimillion-dollar credits it awarded the Hunt brothers who were involved in huge American silver deals. The bank's total credits to Mr Nelson Hunter Hunt and Mr William Herbert Hunt at one time exceeded \$200m (£85m).

### Danish package

Denmark's Social Democratic minority Government has reached agreement with three parliamentary parties on a new package of economic austerity measures. When the package is presented to the Folketing (parliament) next week the Government should then command 90 votes out of a possible 179.

### Citroen closures

Automobiles Citroen, one of the three car building divisions of the PSA Peugeot-Citroen group, will close its plants for five days this month because of declining demand.

### CEGB contract

NEI Royville of Humber on Tyne has been awarded a £2m contract for auxiliary switchgear to be used in the Drax B power station in Yorkshire. The Central Electricity Board has awarded contracts worth £4.5m to NEI in the past 18 months.

### Zimbabwe investment

Mr Robert Mugabe, Prime Minister of Zimbabwe, said yesterday in Bulawayo that he welcomed foreign investment, but it should be Zimbabwe orientated with the majority shareholding retained domestically and profits reinvested.

### Wall Street up

The Dow Jones industrial average closed 5.38 up yesterday at 816.30 on a volume up to 34.09 million from Friday's 28.04 million.

## Morgan Guaranty Trust brings its prime lending rate down by 1 pc to 17.5 pc

From Frank Vogl

Washington, May 5.—Morgan Guaranty Trust Company of New York today cut its prime commercial lending rate—the rate it charges its most credit-worthy corporate customers—by 1 per cent to 17 1/2 per cent.

American interest rates are now falling dramatically and the Federal Reserve Board is having to face a crucial and testing decision.

If the central bank maintains its tight money policies, or even tightens policy, the 1980 recession here will undoubtedly be severe. But if the Fed eases its policies, there could be a currency crisis.

The dollar fell in the foreign exchange market here again today because of the continuing downward trend of interest rates. The Fed drained some funds from the money market, perhaps to indicate that it is not easing its policies and is concerned to stabilize the dollar.

The United States currency has fallen by more than 3 1/2 per cent in the last three weeks against a trade weighted basket of currencies.

Bankers said that interest rates are now falling more rapidly than at any time since the Second World War. In less than four weeks the prime rate has fallen 2 1/2 per cent from a 20 per cent peak and some short-term rates have fallen by 5 per cent in the last month.

Loan demand appears to have declined sharply. Meanwhile, the Fed's policies have secured a sharp slowing of the nation's money supply growth rate.

MIB, the measure of most demand deposits plus currency in circulation, fell a further \$2,300m (£1,013m) last week.

after declining by \$3,000m in the previous two weeks, according to the Fed.

It has shown an annual rate of growth of just 0.8 per cent over the last three months and of 5.6 per cent over the last 12 months and these rates are well within the central bank's targets.

Some government economists have given warning that if this money stock growth trend continues, then the recession could be exceptionally deep.

It seems quite likely now that the White House may try to exert some pressure on the Fed to relax its tight policy stance. The latest unemployment figures, showing a sharp rise of 0.8 per cent last month in the jobless rate to 7 per cent, came as a shock to the White House, which had expected a more gradual upswing in unemployment.

In a speech today President Carter stressed the positive features of the economic picture. He suggested the recession would only be mild, that the declining interest rates were good news and a significant fall in the inflation rate would be seen soon.

Bankers on Wall Street are predicting that money market rates will be highly volatile and that the Fed, mindful of the dollar's health, might strive to show the dollar's interest rate pace from time to time.

All the same the conventional wisdom on Wall Street seems to be that the prime rate will be in the 14 to 16 per cent range.

Chase Manhattan Bank today said it was cutting its prime rate to 18 per cent from 18 1/2 per cent and then the large Harris Trust in Chicago made a similar announcement.

Minutes later Morgan Guaranty announced that it was going down to 17 1/2 per cent and that its Trust issued a statement saying that it was going to 17 1/2 per cent.

With Federal funds trading around 12 1/2 per cent there is still ample scope for further sharp prime rate cuts many banks have traditionally sought to keep their prime rates about 1 1/2 to 2 per cent above the rate for Federal funds.

Several bank economists pointed out today that seasonal factors may lead to a faster rate of money supply growth in coming weeks. At the same time they said there could be no doubt the recession was gathering momentum.

The National Association of Purchasing Agents reported that its April survey showed an exceptional decline in bookings in all sectors of new business orders.

Goldman Sachs and Company, a leading New York currency market thinking and put its finger on the Fed's problem in a new report today. It pointed out that the interest rate spread between the United States and numerous European countries and Japan was narrowing and may continue to narrow, while America's inflation rate continued to outstrip that of many other nations.

It also continues to secure slow money stock growth, however, the currency market may be encouraged that the prospects for a substantial inflation reduction here are brightening and foreigners may as a result be willing to hold dollars.

The dollar slipped a little against European currencies in quiet trading yesterday as Euro-dollar interest rates dropped sharply.

## Department of Industry expected to take over BL from the NEB

By Peter Hill

Uncertainty over the future relationship between the National Enterprise Board and British Leyland is expected to be resolved, shortly, with the Department of Industry taking over responsibility for monitoring BL's performance.

Although Sir Keith Joseph, Secretary of State for Industry, has not yet decided how to resolve the continuing uncertainty, he is widely expected to use the powers contained in the Industry Bill now before Parliament to transfer BL from the NEB to the Department of Industry.

Sir Michael Edwards, the BL chairman, has argued strongly for the company to be moved from the NEB to the department. His request followed the announcement that the company was to be taken over by the NEB from NEB administration and transfer the company's affairs to the Department of Industry.

That decision led to the resignation of the entire NEB board, led by Sir Leslie Murphy, its chairman. The discussions over the future of the BL/NEB relationship have continued ever since then.

Although there are strong arguments in favour of BL remaining with the NEB, Whitehall officials believe the company will be brought back under the direct control of the Department of Industry.

Sir Keith has said previously he did not consider the BL request for Rolls-Royce treatment to be "on all fours" with the circumstances surrounding the aero engine group's transfer. In both cases responsibility for their operations still rests formally with the NEB until the Industry Bill becomes law.

The new board of the NEB, led by Sir Arthur Knight, as chairman, has taken a tough line with BL. Soon after taking over the post Sir Arthur said:

"I do not know what we could do to help Michael Edwards and his colleagues to cope with their problems."

Sir Arthur has said the new board did not feel it could play any useful part in the implementation of BL's corporate plan, and he has not made any comment on it. The fact that the new board was not even prepared to comment on the plan was seen as a tacit acceptance of Sir Michael's wish to report directly to Sir Keith.

Sir Arthur is expected to reaffirm the NEB's view on the relationship, in a review of the board's activities last year to be published later today.

Total public investment in BL, including the £300m plan for this year, will reach £1,075m by the end of this year.

At the end of last year the Government agreed to provide up to £300m this year in equity finance and to the conversion of a further loan from the NEB into equity.

The company's request for a further £130m equity investment between next year and 1983 will be reviewed in the light of performance.

Last year the company recorded a loss of £122.2m before tax. This reflected the effect of the engineering strike and other external stoppages coupled with the strength of sterling.



Sir Arthur Knight: taking a strong line with BL.

## Grand Met gets court order against Liggett

By Adrienne Gleeson

Grand Metropolitan yesterday won one round in its fight to take over Liggett, the American drinks and cigarette company.

A New York court granted a temporary restraining order to Grand Metropolitan against Liggett and Padgett Corporation, its subsidiary, preventing them from disclosing confidential information on the distribution and sale of J&B Rare Scotch whisky.

The order was issued after an action by International Distillers and Vintners (IDV), a subsidiary of Grand Metropolitan, which supplies J&B to Padgett, to restrain IDV from releasing confidential information to Liggett. A preliminary injunction was set for next Monday.

Grand Metropolitan, which is bidding \$415m (£180m) for Liggett, has accused the company of misappropriating confidential information. The French drinks company, which is buying Austin Nichols, Liggett's parent company, has accused Liggett of "asset stripping" for sole purpose of defeating the Grand Metropolitan offer.

The obstacles to Grand Met's bid was removed yesterday, when in proceedings before the South Carolina Securities Commission, the hearing officers recommended that the commissioner permit the offer to proceed as soon as the time limit for appeals expires tomorrow.

The hearing officer concluded that Grand Metropolitan's \$415m (£180m) tender offer was not unfair, and that Grand Metropolitan had not as yet failed to make adequate and full disclosure of the conditions of the offer. Grand Metropolitan has said that it intends to proceed with the offer as soon as the South Carolina Securities Commission makes an order permitting the group to do so.

This is the latest development in a series of legal actions taken by Liggett in an attempt to stop the bid from proceeding. Liggett is also said to be holding serious discussions with another potential bidder.

Mr Mulligan said in a letter to the court that these actions were undertaken because the company's financial advisers had said that Grand Metropolitan's proposed offer of \$50 a share was inadequate.

Mr Mulligan said that Liggett had also been advised that an orderly liquidation of its interests, conducted over a reasonable period, would probably realise more than \$50 a share.

## Manufacturing industry 'will have to make further investment cuts'

By Edward Townsend

Leaders of Britain's mechanical engineering industry, now facing two years of plummeting orders and sales, have given a warning that the fall in manufacturing industry investment this year will be substantially greater than the 6.10 per cent forecast by the Government.

The latest report from the engineering industry's tripartite short-term trends working party, published today, says that the worsening rate of cost inflation, high interest rates and the effects of the steel strike are squeezing liquidity and profitability and companies will be forced into making further cuts in investment plans.

Since the Department of Industry's investment intentions survey of last November and December, inflation has worsened, oil prices have risen and savings has strengthened, the working party says. This has reduced the willingness and ability of manufacturing industry to invest.

"It is expected, interest rates eased in the latter part of 1980 a partial recovery of investment plans could occur in 1981. This will probably consist of purchases of replacement equipment deferred from earlier years and will not necessarily herald the beginning of a sustained upturn."

The report stresses that the combination of a strong pound and high cost inflation continues to hit United Kingdom exporters. By the middle of last month, the deterioration in price competitiveness compared with 1975 had become 25 per cent against the United States, 20 per cent against West Germany and 60 per cent against Japan. The figures do not include electronic goods, motor vehicles and ships.

The working party adds: "The marked increase in Japanese competitiveness, which has been boosted recently by the appreciation of the yen, will almost certainly lead to further growth in the Japanese share of available business."

Home orders for mechanical engineering products are expected to suffer another steep fall in the latter half of this year and by the end of 1981 orders are still expected to be 10-20 per cent below the average 1979 levels.

Possible orders associated with the nuclear power stations being built at Heysham, Lancashire, and Torness in Inverness-shire, have not been included in the forecasts because, says the report, this would give a misleadingly optimistic impression of the amount of short-term work available for the industry.

Export business is not expected to suffer so badly. The report points out that one result of increased political tension in the world has been to increase defence spending in many countries which could generate additional export demand. For 1981, export orders should remain close to their late-1980 level.

Latest employment figures show that mechanical engineering cut its labour force by 38,000 between December 1978 and January 1980 and more cuts are certain as a result of the 10-20 per cent decline in output forecast for 1979-1981.

The industry has reported a sharp decline in vacancies for skilled workers but, the report says, this reflects a lower activity and in any fundamental improvement in the supply of skilled labour.

## EEC imposes anti-dumping duty on US company's fibre imports

By Bill Johnstone

The European Council of Ministers in Brussels has imposed a permanent anti-dumping duty on two fibres imported into Europe by Cynosamid, the American company.

The Council has set a levy of 13.7 per cent on discontinuous acrylic fibre, compared to a provisional anti-dumping duty of 7.2 per cent which it introduced in December. Another 7.6 per cent on continuous filament acrylic fibre is lower than the one previously set at 26.8 per cent.

The move by the council comes in the wake of a 200 page report submitted by CIRTES—the European Textile Industry's representatives—the interests of Europe's 11 main fibre-makers. The dossier contained numerous cases which they considered to be examples of textile dumping by United States producers.

According to the EEC Commission, 450,000 jobs in Britain alone could be at risk unless some firm policy on textile imports is introduced in the coming decade.

In the last six months of 1979, 31,000 textile workers were made redundant in Britain with many thousands employed on short time. The TUC's predecessors are pessimistic and conclude that a further 80,000 jobs will be lost in the next six months.

Last month, Lancashire textile leaders drew the attention of the Prime Minister to the present plight of their industry and called on Mrs Thatcher to establish a small working party made up of representatives of Government, civil service and industry, to conduct an investigation into textiles.

The highly competitive world market has been further aggravated by the United States whose textile price reflects the country's artificially low cost for oil.

European textile industry calculations show that by the end of last year American penetration in the European market was 17 per cent on average, while Italy recorded 33 per cent.

The latest move by the Commission has been requested by most European countries in relation to the production of textiles.

mission, the permanent anti-dumping duty applies only to the Cynosamid company. Several other American companies and producers in Greece, Turkey, Spain and Japan have either been found not to be dumping or had agreed to increase their prices.

Political pressure has intensified over the past few months for some provision to prevent imports, which are said to be weakening the structure of the European textile industry.

According to a recent submission by the British Textile Confederation, 450,000 jobs in Britain alone could be at risk unless some firm policy on textile imports is introduced in the coming decade.

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## Economic reports raise doubts on scope for further tax cuts

By Caroline Atkinson

A further deflationary budget this year could be necessary if the Government is to meet its borrowing target, according to stockbroker James Capel.

Other economists today predict that if the Government's assumptions about North Sea oil revenue are correct there will be no room for tax cuts in this parliament.

Phillips and Drew says in a report published today that it expects much bigger government revenues from North Sea oil over the next four years than the Treasury has assumed in its medium term financial strategy.

If the Treasury is correct Phillips and Drew says there is unlikely to be the scope for income tax cuts which are included in the Government's strategy.

Last week's report by the treasury and civil service committee drew attention to the Treasury's apparent under-estimation of North Sea oil revenues. It suggested that the Treasury was over-optimistic about the likely future growth in the economy, and about the cuts to be made in public spending.

If growth is lower and public spending cut smaller than assumed, there will be correspondingly less money for cutting income tax.

The Treasury appears to assume much lower oil production in 1983 and 1984 than expected by many private forecasters, and a higher pound.

This leads to a Treasury forecast of £4,750m oil revenue in 1983/84 compared with the Phillips and Drew forecast of £8,250m (at 1978/79 prices).

There is growing scepticism about the Government's proposed public spending cuts. James Capel expects that there may be a significant breach of cash limits this year. Phillips and Drew points out that the latest warning of public spending allowed for only a small reduction in direct public sector spending on goods and services. MPs will no doubt raise these points in the public spending debate tomorrow.

Although James Capel believes that on unchanged policies the Government would exceed its borrowing target by £1,500m this year, it says in its report that the Government does not think the Government should have a mini-budget to recoup the money. James Capel believes that this might merely lead to a worse cash crisis in industry.

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## Welsh plant restarts after receivership

Former directors of a company which went into receivership a year after getting the Welsh Development Agency's biggest investment have bought part of the plant and restarted production.

The four directors involved are part of a merchant bank-backed consortium which has paid the receiver more than £700,000 for the photographic gelatine business of P. Leiner and Sons, the South Wales gelatine makers who were once world leaders in their field and who won three Queen's Awards to industry in the 1970s.

The consortium is headed by Mr Marshall Kaye, a management consultant and son of the four directors as they put together their reconstruction programme after the receiver was called in. The WDA's earlier link with Leiners has been raised in Parliament and is to be discussed by the Commons Public Accounts Committee next month.

The agency invested £2 million in Leiners in February last year when it was owed £300,000 by the company. The debt was for services like gas, electricity and steam provided by the agency to the factory and for rent.

The agency is the landlord of the Truvelco Industrial Estate, in Mid-Carmarthen, where Leiners occupied a 24-acre site. As landlord and provider of services the agency will again be involved in the new venture.





## Saudi Arabia launches £110,000m plan

King Khalid of Saudi Arabia has launched a three-year development plan which will involve spending of £110,000m over the period.

The Saudi state radio has reported that an additional £22,000m has been put aside as an "inflation factor", bringing the total expenditure envisaged to £132,000m or about £22,000 a head. This plan is distinct from the state's annual operational budget which amounts to £20,000m this year.

The previous five-year plan, originally involving £61,800m, was outpaced by inflation, forcing the Government to add £26,000m to the budget.

### Mission to Athens

A British trade mission led by Lord Jellicoe, president of the London Chamber of Commerce, has arrived in Athens on a visit lasting six days for talks with Greek ministers, bankers and business leaders.

### Iran oil sales

Poland has offered to sign a 10-year agreement to buy Iranian crude oil according to Tehran Radio. The offer is believed to have come through a Polish trade delegation visiting Tehran.

### Italian wages rise

Italy's automatic wage escalator index rose a record 12 points during the three months ended in April. This boosts wages of all Italian workers by 3.66 lire (£1.45) a month beginning in May. The escalator, which automatically increases wages to help workers keep up with the cost of living.

### Dutch deficit

The Netherlands' visible trade showed a deficit of 225m guilders (£47.26m) in February, compared with a 40m surplus in January and a 255m deficit in February last year. In the first two months of 1980, visible trade recorded a 185m deficit.

### No imports ban

The West German government firmly rejects demands for restrictions on Japanese imports. Herr Dieter von Wurzen, state secretary at the Economics Ministry, said at an international video equipment fair in Bonn.

## Government incentives playing less influential role Changes in regional development

By Peter Hill  
Industrial Editor

Government regional incentives are playing a much less influential role in the location of expansion of businesses or their creation in the assisted areas, according to a working paper published by the Department of Industry.

Against the background of the changes implemented by the Government last summer, which redefined the assisted areas and which is being accompanied by a reduction in the level of assistance to development areas over the next three years, the study concluded that since 1971 there have been big changes in the pattern of development.

The study, concerned with measuring the effects and costs of regional incentives—especially over the period 1971-76—said that while there appeared to have been a broad improvement in the general position of the assisted areas during the 1960s and 1970s, it was hard to judge how much was directly

attributable to regional policies. Since 1971, the report said, the volume of movement of companies was much lower than it had been previously and the destinations of moves were no longer closely associated with regional policy measures.

Instead, the most marked feature of employment change generally and movement of companies within it had been the preference for locations which were outside the conurbation.

The study stated that there was strong evidence of an increase of about 6 per cent in the share of investment taken by the three main assisted areas of Scotland, Wales and the North from the mid-1960s to the mid-1970s.

There was also evidence that employment was higher in the three main areas by at least 20,000 annually on a cumulative basis during the period 1966-71, and by about 11,000 on the same basis over the following five years, though this might have been explained on the basis of trends in the 1950s.

But even in the heyday period of regional investment policy—between 1966 and 1970—the report said that it was impossible to distinguish with any confidence how much of the increased share of investment in the development areas represented net national investment creation and how much was simply diversion of investment that might have taken place elsewhere if regional incentives had not existed.

The report concluded: "As a short to medium-term measure to increase employment, regional investment incentives appear to be a more costly measure than reductions in direct taxation."

But if long term employment gains associated with increased investment and any contributions which it makes to increased competitiveness can be taken into account, it appears probable that regional investment incentives under most economic circumstances represent an efficient use of resources."

## Two-way speech alarm to extend 'sheltered housing' for elderly

A two-way speech system which can reduce the isolation of elderly and infirm people living on their own has been developed by a Yorkshire company with backing from the National Research Development Corporation.

It offers the possibility of extending the concept of "sheltered housing", in which groups of apartments or houses are in touch with a warden who can respond to emergencies signalled by an intercom-type system, to a wider sector of the community.

Tunstall Byers & Company of Doncaster demonstrated the new system, known as Piper, in London last week. For sheltered housing projects, the system offers new facilities which can be introduced immediately; for wider use, the equipment would need to be adopted by organizations which would install and monitor the equipment as a service, possibly for payment by private users.

Piper enables sheltered housing schemes to be more responsive, in that the warden can remain in touch with all the dwellings under his or her care while moving about from place to place. This is done by clipping the warden's portable master unit on to any one of the wall-mounted speech units in any of the sheltered dwellings.

This flexibility is added to the customary benefits of the sheltered schemes, where alarms can be signalled (by pulling a cord, for example) and two-way speech contact can be maintained between the resident and the warden.

Until recently, Tunstall Byers spokesmen said alarm and communication systems for the protection of the elderly had been available for only about 5 per cent of the retired population of the country. Most of the

### Technology News

people in this 5 per cent were cared for communally in staffed sheltered housing. Soon there would be over 10 million people of retirement age in Britain, or about 18 per cent of the population. For those outside the sheltered schemes, alarm and voice contact could now be provided by linking individual homes via a public telephone network to remote control centres.

### Heat and power combination

The first combined heat and power station to be built by the United Kingdom's electricity supply industry, officially opened last week in Hereford, is a classic example of modern control technology working with conventional power engineering.

The project cost £5m and took two years to build. It was designed by the Midlands Electricity Board (MEB) to provide steam and hot water to local industry in addition to 15 million watts of electricity fed to the local grid.

From one system the electricity demand of the general network is satisfied while the exhaust gases produced during that operation heat water which in turn is supplied to specific local industries. At the heart of the semi-automatic station are two exhaust gas boilers able to harness the energy from the exhaust gases at 450°C while producing 5244Kw of steam an hour. The steam is raised to 235°C before being passed through a network of piping to the local industries.

The resulting design produces the equivalent of 13 million watts of heat annually as a byproduct of the system of generating electricity at a saving of fuel oil, currently valued at £1.5 millions.

### Storage system for solar energy

Heat energy from the sun or other sources can be stored for unlimited periods using a "chemical heat pump" developed by Rockcor of Redmond, Washington, under contract to the United States Department of Energy.

This system uses solar, or peak electrical or industrial waste heat energy to separate a liquid chemical compound into two separate chemicals. After separation, the two chemicals can be stored indefinitely.

Since the chemical process is reversible, the energy can be recovered (at between 80 and 90 per cent efficiency) by recombining the two chemicals. A chemical heat pump could store energy in the summer from the sun or from off-peak electricity for later use; and could also be adapted to use solar energy or waste heat for air conditioning.

Rockcor was formed as Rocket Research Corporation in 1959 to supply small rocket engines for spacecraft control. The company has since diversified into other fields and in particular into energy technology.

Operation of the chemical heat pump has been demonstrated in a laboratory prototype, using sulphuric acid and water as the two chemicals. Next step will be a pilot demonstration system.

By Kenneth Owen and Bill Johnstone



Sheikh Yamani: holding talks in Riyadh.

## Ministers will only review oil strategies

Vienna, May 5.—Oil ministers of the Organization of Petroleum Exporting Countries (Opec), meeting in Taef, Saudi Arabia, from tomorrow until Saturday, will not decide on immediate price rises but review long-term strategy of prices and production, a spokesman said here today.

Mr Edward Omotoso of Nigeria, said that the long-range plans provide for automatic price rises based on the dollar exchange value, inflation rates and economic growth statistics in the main industrialized countries. In theory that system should also foresee price cuts.

However, such a programme requires a unified oil price that is hoped to be achieved at the Opec ministerial conference due to be held in Algiers on June 9.

"The Opec secretariat is not in a position to give an average oil price at this time," Mr Omotoso said, referring to the uncertainty in the wake of the last Opec conference in Caracas, Venezuela, that failed to reach a consensus on price.

The Taef meeting comes at a time when Opec's oil prices are in disarray. On such a basis the penalty for operating businesses, on inadequate margins is no greater now than it was in earlier days of borrowing rates in single figures—the effect may simply be a little switch to more dramatic borrowing.

From experience of investigating many hundreds of small businesses I can with confidence say that the interest rate is no more than a convenient scapegoat on which to put the blame for ineffective business policies. I write as a fervent supporter of new businesses which I believe are just as dependable a source of prosperity in this decade and the next as the continued growth of already large concerns.

Mr Verdin gets his sums right

The Baghdad celebrations may coincide with the establishment of Opec's new news agency, Mr Omotoso said, adding that the news service would be operational before the end of the year but could not say if this would be before or after the summit. Al-Dow Jones, Sheikh Ahmed Zak Yamani, the Saudi Arabian oil minister, held talks in Riyadh with a top official of the Organization of Arab Petroleum Exporting Countries (Oapex) which is based in Kuwait, the Saudi Press Agency reported.

Petroleum ministers and Saudi Arabia's "leading role" in the region were discussed at the meeting, the agency said but gave no details. Saudi Arabia, the world's main oil exporter, will be host at the Opec ministerial conference in the summer resort of Taif tomorrow.

Volatility of exchange markets and international interest rates is not caused by the lack of fixed parities: it is a product of high world-wide inflation. The United Kingdom has one of the highest rates of inflation among the western economies and thus a volatile currency. Trying to reduce monetary control will necessarily lead to a higher exchange rate.

To fix sterling at a lower level than its current market price, as you suggest, would mean that some other factor would have to change. That factor would be the money supply, which would have to increase thereby underwriting a further bout of inflation.

## Demand for literature to fall by 5 pc

By Edward Townsend

Demand for books, newspapers, magazines and other printed material is expected to fall by almost 5 per cent this year, according to a new survey of the printing and publishing industry by Cambridge Econometrics.

Recession is predicted to affect the industry with output of books falling by 4.8 per cent this year and printed packaging by 6.6 per cent. Newspapers are expected to be less affected with production dropping by 1.7 per cent.

The survey shows that sluggish consumer demand will be important in the likely difficulties of the next two years. "It will not only reduce sales direct to the public to zero growth, but will also lead to very slow rises in real advertising revenue and printing of promotional material."

More optimism is shown in predictions for the medium term with total demand growing at an average of 3.3 per cent between 1983 and 1986.

But the industry is expected to suffer from the strength of sterling over the next few years with imports increasing and exports falling sharply. Imports of printed material should rise slightly this year but the Cambridge forecast is that they will increase by 10.5 per cent in 1983.

Productivity growth in printing and publishing is expected over the next six years causing a reduction of 67,000 or 12.6 per cent in the labour force. In the same period, average earnings are predicted to grow by 11 per cent a year and unit labour costs by 5.7 per cent a year.

## Effectiveness of British banking

From Mr B. G. Pearse

Sir, Some prominence was given to Mr Hutton's letter (April 29) on the uncompetitive state of British banking. He refers to the report prepared by the Bank for International Settlements and, as he has misinterpreted part of that report (as, incidentally, have several newspaper journalists), I think it is as well to set out precisely what was said:

"35 per cent of adult individuals hold an account (current or savings deposit account) with a commercial bank only; 10 per cent with the National Savings Bank only and 5 per cent with a building society only. 25 per cent of adult individuals hold more than one type of account while 20 per cent hold none."

I think it would be reasonable to say that the 25 per cent of adult individuals who hold more than one type of account probably bank with a commercial bank and a building society and, therefore, a much

smaller proportion of the population is unbanked than Mr Hutton believes.

The recent American legislation is designed to widen the competitive area of the various institutions, to bring about rationalization of the American banking system, which faces considerable additional costs because the Federal Reserve System is now legally bound to charge out for its services such as clearing operations and cash provision. The British banks already meet these charges.

I am not unsympathetic to some of the comments about the hours that I think we have gone a long way towards publishing our charges tariff and, although not complacent, we should not exercise the usual British option of criticizing ourselves unnecessarily.

Yours faithfully,  
B. G. PEARSE  
Barclays Bank Limited,  
54 Lombard Street,  
London, EC3P 3AH,  
April 30.

## Interest rates and the small company

From Mr John Harrison

Sir, Your correspondent writing on behalf of small companies (May 1) on the "intolerable" burden of the bank interest rate is making a very common mistake and I believe that it is important that others who are in the process of developing a business are not misled.

Borrowing from the bank has never cost more than a very small margin above the rate of fall in value of the money borrowed and sometimes not even that. It will, for example, be interesting to look back in a year's time and see whether today's 21 per cent odd represented more than 2 to 4 per cent above the inflation rate. Be that as it may, to be successful a business must have as its measure the aim of producing a margin of profit at which the true cost of borrowing is a reasonable price to pay for the service provided.

On the contrary: it is Mr Verdin himself, and all those others who in times of inflation persist in treating the pounds of one year as if they were of equal value with the pounds of the next year, who are, if not perhaps mad, at best "very far removed from reality". With inflation at -20 per cent the lender of Mr Verdin's example is in real terms getting nothing at all for the use of his money—so that, even before Sir Geoffrey as Chancellor takes his large cut of that postdated payment as "unearned income".

Yours faithfully,  
ANTONY FLEW,  
26 Alexandra Road,  
Reading RG1 3PD,  
May 1, 1980.

From Miss Joanne Bower  
Sir, Hugh Clayton (April 29) is mistaken in thinking that ecological and other aspects of factory farming, which worry our continental neighbours, are not a consideration in this country. Although cruelty is the main concern of those against battery and other forms of mass production of livestock, the effect of these systems on our landscape, the pollution they cause, and the way in which they threaten a whole time-honoured way of life are certainly a concern of this society and others. The related practice of monoculture, with the destruction of hedges and the use of heavy machinery, artificial fertilizers and poison sprays, is also recognized as a serious threat to the long-term fertility of our soil and wild life. Efficiency in agriculture as we see it is a system based on a rich diversity of species and crops, based on a cooperative relationship between men, animals, plants and soil, whereby all receive as well as give. Our present practices have been well described as mining rather than farming, and we cannot escape a final reckoning which will demand reparation for the profligacy with the good earth and all its products.

Yours faithfully,  
JOANNE BOWER,  
Hon Secretary,  
The Farm and Food Society,  
4 Willfield Way,  
London NW11 7XT.

## Strong pound mainstay of anti-inflation policy

From Mr Mark Tennant

Sir, It was sad to see *The Times* in its leading article "Time to end the float" (April 23), undo much of what it has done over the years in the cause of monetarism.

Volatility of exchange markets and international interest rates is not caused by the lack of fixed parities: it is a product of high world-wide inflation. The United Kingdom has one of the highest rates of inflation among the western economies and thus a volatile currency. Trying to reduce monetary control will necessarily lead to a higher exchange rate.

To fix sterling at a lower level than its current market price, as you suggest, would mean that some other factor would have to change. That factor would be the money supply, which would have to increase thereby underwriting a further bout of inflation.

Yours faithfully,  
MARK TENNANT,  
31 Alderbrook Road,  
London SW12,  
April 24.

## Bills by credit transfer

From Dr J. P. Dougherty

Sir, Several of the points Mr Hunsworth (April 17) made, in reply to my letter about settling of electricity bills by credit transfer, are fair ones, and some comment by Eastern Electricity would seem to be called for. The substantial charge which is printed in the bill for not meeting it was that they suggested that customers should pay at the Post Office.

Moreover, the reason given (in the note accompanying the bill) for not meeting it was that it would be unfair to "subsidize one group of customers in this way", but this is hardly consistent with their willingness to accept payment by credit card, for which the banks make an even bigger charge.

In his penultimate paragraph Mr Hunsworth stated that I was "not correct" in saying that one could remit money from any branch of a clearing bank to an account (see list of electricity boards) at the National Giro Bank, through the credit clearing mechanism. However, the procedure I described for such a credit transfer is printed in the National Giro Handbook, and since reading Mr Hunsworth's letter I have used the method to pay a water bill. While I hesitate to cross swords with the Director of the Banking Information Service, I can only conclude that, on this point, he is just plain wrong!

Yours faithfully,  
J. P. DOUGHERTY,  
10 Spring Lane,  
Bottisham,  
Cambridge, CB5 9EL,  
April 30, 1980

From Mr Ivor Hall  
Sir, I am surprised that a nationalized industry is not prepared to accept its requirements for Quality and Specification for furnishing of their new headquarters in order to use United Kingdom suppliers.

Some three years ago I designed the offices for British Shipbuilders and one important part of my brief was that we should buy and use only United Kingdom manufactured goods. This we managed to do and the quality of the goods selected, particularly bearing in mind the competitive price we were able to negotiate, met both our quality and specification requirements.

his young company will grow considerably faster and yield considerably more in the process than the same capital investment deposited with his bank.

Yours sincerely,  
JOHN HARRISON,  
Chesham Amalgamations and Investments Limited,  
36 Chesham Place,  
London SW1X 8HE.

From Professor Antony Flew  
Sir, Your correspondent Mr Anthony Verdin (May 1) writes: "If Sir Geoffrey Howe, Milton Friedman, or anyone else really think that paying anyone with a spare £1,000 a year for the use of it is reducing inflation they are mad so far removed from reality that it would be difficult to hold a rational dialogue."

On the contrary: it is Mr Verdin himself, and all those others who in times of inflation persist in treating the pounds of one year as if they were of equal value with the pounds of the next year, who are, if not perhaps mad, at best "very far removed from reality". With inflation at -20 per cent the lender of Mr Verdin's example is in real terms getting nothing at all for the use of his money—so that, even before Sir Geoffrey as Chancellor takes his large cut of that postdated payment as "unearned income".

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Yours faithfully,  
JOANNE BOWER,  
Hon Secretary,  
The Farm and Food Society,  
4 Willfield Way,  
London NW11 7XT.

## True source of farming surpluses

From Dr G. W. Heath

Sir, Hugh Clayton's article (April 29) asks the right questions but in the end he does not seem to reach the right conclusion. Even on economic grounds British farming cannot be said to be particularly efficient—as I pointed out in my letter to you last November, so far as energy inputs are concerned, the law of diminishing returns has already operated for some time and each rise in energy fuel means that it operates more strongly.

I cannot see how, by any criteria and particularly economic ones, an operation can be said to be efficient when, over the past two or three decades, it has been through an increasing deployment of agricultural based factors, such as fertilizers, pesticides and tractor fuel and imported feeding stuffs such as fish meal, soya and manioc made itself and its profitability more and more vulnerable to the vagaries of political and geographical factors over which we have no control.

The true source of the surpluses about which so many affect to be concerned, yet seem incapable, unable or unwilling to think about in any intelligent way, lies in our ludicrous and profligate use of scarce non-renewable resources and the badly needed food stuffs of the third world.

Paradoxically, the figures he gives for the decline in the numbers employed in agriculture in EEC countries during the last 15 years indicates that, if, as he suggests, some regard this as a measure of productive efficiency then the United Kingdom's failure has been less efficient than that of our EEC partners, since our farming work force has declined by only a quarter, whereas that of other EEC countries has declined by a third or a half. Lest someone is moved to tell me that this is a reflection of how much further our partners have to go before they reach our enlightened state, let me say I only raised the point so as to ask the question as I did on November 12, by what criteria is it regarded as efficient to drive more and more people from the rural areas and work of a satisfying and important kind into the tensions and squalor of most urban existence?

Yours sincerely,  
G. W. HEATH,  
Heath & Partners,  
Tavistock Mill House,  
Tavistock,  
Devon.

From Miss Joanne Bower  
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BY THE FINANCIAL EDITOR

## Recession and recovery

Backed by growing evidence that recession in the United States is now a reality, in the past month short-term Eurodollar rates have fallen from 20 per cent to under 14 per cent. Bond prices have risen by 8-10 points and prime issues are again yielding less than 12 per cent. Late last week the indications from the United States were that the Federal Reserve Board may be happy to see rates lower yet.

All of this represents an extraordinary transformation. The markets have now returned to the levels of January, when the mood was one of deepening gloom. At that time higher rates were seen to be necessary to kill mounting domestic credit demand in the United States, curb the growth in money supply and precipitate enough of a recession to rein back rampant inflation.

The revival should be seen in its international context. Currency movements in recent months have been overwhelmingly dictated by interest rate changes. Hence the earlier upsurge in the dollar as the disparity between dollar and other currency rates opened out to unprecedented levels.

However, the recent fall in dollar rates has not been proportionately matched elsewhere. Last week, indeed, the German Federal Bank raised official interest rates to keep short-term rates up.

The gap between dollar and Deutsche mark money rates has thus narrowed from 10 to about 4 points, while American inflation is running at 17 per cent and German at under 6 per cent.

Deutsche mark rates accordingly offer a 3-4 point positive return, while on dollars there is a negative return of the same proportions. The dollar has already weakened in response to these realities and on this analysis, must still be vulnerable.

World equity markets, meanwhile, after a surprisingly strong start to the year in the face of an economic downswing managed to get through last week's mounting international tension without any major setbacks.

Even Wall Street decided to interpret a major bank failure, the wash of the Hunt silver dealings and the prospect of Chrysler's imminent collapse as isolated events rather than signs of a more serious financial malaise.

The major hurdle for equities now is the extent of the recession. Most of the major stockmarkets have been assuming that the recession would turn out to be fairly mild, with destocking taking the brunt of the fall-off in demand.

The leading indicators from the United States are starting to show that its recession may turn out to be sharper than anticipated, and adherence to monetarism in the other major economies could have the same effect.

### Laird Group After the closure

Laird Group estimates that the closure of its plate steel works, Patent Shaft, could knock up to £18m off shareholders' funds, by the time that the cost of redundancies is taken into account, and the outcome of attempts to sell this subsidiary's modern and efficient plant—in a depressed world market for steel—is known.



Sir Ian Morrow, chairman of Laird Group, compensation at last.

The worst of the damage—in balance sheet terms—will not be known for a couple of years; but in the meantime cash flow has already had to bear the brunt of the closure costs. So it is just as well that the balance

sheet, just published, shows a relatively healthy position for what is still principally an engineering company—though markedly less healthy than in the recent past.

Last year's huge increase in sales, up from £15m to £207m, thanks largely to increased deliveries of trains, has left debts very nearly twice the level they were at the end of 1978, at £41m, and the money has only partially been found out of creditors (up from £44.8m to £59.7m).

Laird is still spending heavily on additions to fixed assets (£10.5m last year), and cash flow alone would not stretch so far; and the net result has been a £2m reduction in cash reserves to £4m, and a £7.5m increase in borrowings.

However, with damage wreaked on shareholders' funds by a revaluation of United Kingdom properties last year—which threw up a surplus of £6.5m—borrowings still amount to only just over one third of the equity; and since the year-end the cash position is likely to have improved since Laird has at last reached agreement on the terms for compensation for the aviation interests which were nationalized in 1977.

In all the Government has agreed to pay £37.5m for Scottish Aviation, some £2.1m of which has been received already. Laird still has to agree terms on the compensation for Cammell Laird, which was nationalized at the same time. In the meantime the group is pushing ahead with piecemeal diversification in other directions, partly with a view to offsetting the preponderance of transport systems in profits at the moment (they contributed £6.9m of the £12.9m made last year, before allowing for the steel losses).

Even after those losses, last year's dividends were more than twice covered by current cost profits so the shares, which yield 5.6 per cent, have their attractions as a way into one of the few British engineering companies which can still make real profits.

### Property shares

### Time to take stock

Property shares have risen by almost a third since the start of the year; and the question now being asked in the City is whether the rise can continue.

No one disputes that there are good reasons for the improvement so far. A hunting of rent reviews and reversions over the next five years means that the profits of most property companies can be expected to rise strongly in the immediate future. One property analyst reckons that, at current rental levels, profits could be expected to double within the next five years.

In contrast recession is likely to produce problems for most industrial companies, and bring interest rates down, too, thereby reducing the attractions of cash and near-cash as an investment.

The prospect of a decline in interest rates, from the middle of this year, is cited as one of the reasons for investment in property shares. But this argument is out of date. In contrast to their position during the last period of sustained high interest rates, most property companies now have relatively little in the way of variable rate borrowings.

This is one reason why their profits have continued to rise, despite the increase in interest rates over the past year. This is also why their profits are on the whole—except the exception of companies like Town & City and Law Land—unlikely to benefit much from a decline in rates.

If anything, in fact, those companies which are financially strong may suffer from such a development—insofar as they now have substantial amounts of cash on the street, earning them handsome returns in the money markets.

Property shares are still better value than investment in property itself. For one thing they are selling at an average discount to net assets of over 20 per cent. For another, rents in some sectors—West End shop property, for instance—are unlikely to improve on present levels for some time, and they might even fall; but rent reviews and reversions should still produce enough extra cash to keep the dividends moving up.

Nevertheless, with the sector's dividend yield now down to under three per cent, even the sort of profits improvement that Land Securities and Great Portland Estates can be expected to produce in the near future appear to be discounted already.

When she gave her first anniversary interview to the BBC radio programme, *The World This Weekend*, during her bank holiday break in Cheltenham, the Prime Minister adopted the only possible, tactful and counter-attacked hard on the appointment of Mr Ian MacGregor as chairman of the British Steel Corporation. When pinned in a corner, the right thing often is to punch one's way out of trouble.

It remains, however, an extraordinary political episode. Few single actions show a Conservative government can have attracted the degree of unanimity of mixed criticism and ridicule on the part of newspapers and journals of all political persuasions. Since important issues are at stake, it is to be hoped that the Prime Minister will show the customary ability to learn rapidly from experience and not, at a serious level, simply dismiss the criticism as blind failure to understand that BSC chairmen are more important than football stars.

It is not surprising if third parties should see the arrangement as a way in which the Government, through Lord Fraser, is seeking to provide Mr MacGregor with substantial sums of deferred pay, far in excess of anything that could have been paid to him directly as salary, and which will come to him through American pension arrangements outside the reach of the British tax authorities. Such reactions

of envy will no doubt pass. Much more important is the fact that the arrangement entered into with Mr MacGregor by the Government throws into high relief, but does nothing to resolve, the prior question—namely, why is it that the public sector is progressively finding it more and more difficult to find people of ability to run nationalized industries?

The answer to this question is twofold. In the first place they are not paid enough. In the second they are subject to quite intolerable direct political interference from Ministers and civil servants when they try to do their job. In neither respect has the MacGregor case helped. On the subject of a salary, the chairman of other nationalized industries must be so indeed. They have all from time to time argued that they are underpaid. They have been told that, 'be that as it may, there is nothing that can be done about it'. For the normal mixture of motives—interest, ambition, sense of public duty—they have accepted the facts of British life with more or less grace.

This episode must have a destabilizing effect on their morale. On the issue of ministerial involvement, the MacGregor episode has done all of the impression created by the Government's performance during the steel strike. It only because of the lack of any credible policy of intervention once the steel strike had started, the Government at some chief seemed

at least to have established a growing notion that it was not involved in the detailed affairs of the BSC. As recently as February, the Prime Minister said in the House of Commons that she had total confidence in Sir Charles Villiers, the outgoing chairman of the BSC.

The events of the past few days, with Sir Charles going three months before the end of his contract, and the evidence that the Secretary of State for Industry, the Prime Minister and a cabinet committee have long been active as 'executive' head-hunters, have substantially undermined that public position.

The whole story points up two major gaps in the Government's array of policies. The first is its whole attitude to the commercial activities of the public sector. The Prime Minister sometimes gives the impression that she thinks that it is 'impossible' for the public sector to 'think commercially' and that, therefore, the sooner those bits that can be operated as a profit-making unit are taken out of the public sector, the better. For the irredeemable lump, a strict application of the market would, in this view, at least keep the problem under some sort of control.

The fact, however, is that a large public sector in the fields of commerce and industry will be with any government for as long as there is a large public sector. It is critical, therefore, to the performance of the economy that this large sector should be encouraged con-

tinually to improve its performance. It is becoming increasingly clear that the operation of annual cash limits, lumping together all financial needs for capital development, are, as widely predicted, proving to be a positive hindrance to many of these businesses.

The second major gap concerns the creation of the new businesses of the future. Mr MacGregor Edwards's at BSC, like Sir Michael Edwards's at British Leyland, is to conduct a complete but massive reduction in the scope of the existing industry. These and many other sectors of British industry are hopelessly out of touch with the realities of the market in which they will have to live, not least because they are protected from these realities by government. Contraction is overdue; but a spontaneous birth of new commercial and industrial activity will take place on a sufficient scale to take up the slack, just because interest rates may begin to fall, because personal tax rates have been restored incentives to work, in the view of many extremely naive.

National economic regeneration will require the involvement of the Government of the day in this country as in all others. If we are to come out on the other side of the terrible recession that is upon us.

## Has the Green Paper got it wrong?

The Government's Green Paper on monetary control is the culmination of a debate which has gone on ever since the introduction of 'competition and credit control' in 1971. The reason for this has been the monetary authorities' poor performance in controlling the money aggregates.

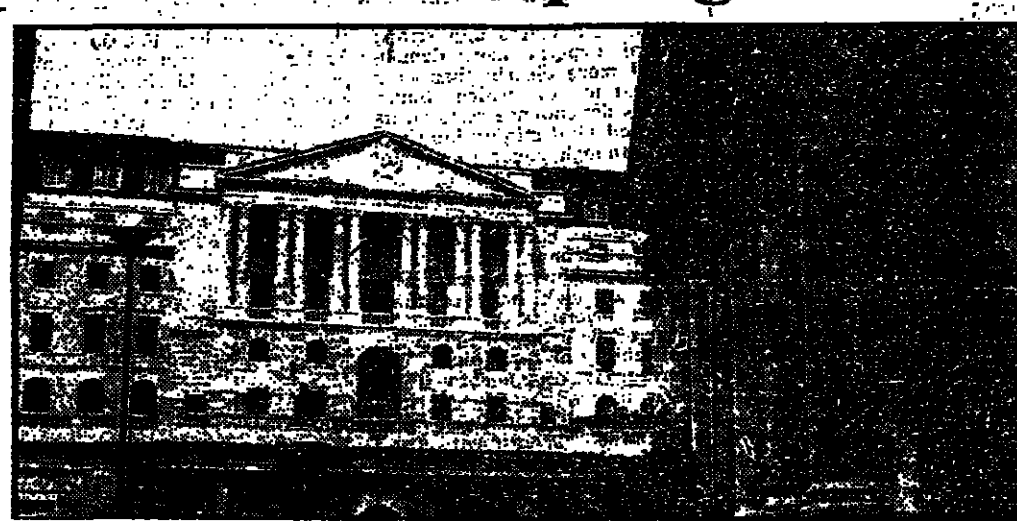
Throughout the seventies money supply growth has been in excess of the target, and has fluctuated widely and the Bank of England has been forced to impose direct controls (the 'corset') to bring money supply growth under control. The imposition of controls has resulted in interest rates being distorted and acceptance credit being used to circumvent the controls, which in turn has reduced the significance which can be attached to publication of the monetary aggregates.

Before changing the system of monetary control it is important that past problems be diagnosed correctly. In my judgment the root cause of the problem is that the system requires the authorities to predict the growth in the demand for money, bank lending and gilt-edged holdings of the non-bank private sector, and then guess the appropriate level of interest rates by fixing minimum lending rates and the 'cap' price of gilts.

It is now abundantly clear, however, that the system does not have the necessary information to enable them to do this. As a result they are groping in the dark, being forced to employ 'overkill' in interest rate policy to make sure they achieve control. A good example was the decision to raise MLR by 3 per cent to a record level of 17 per cent in November to be absolutely certain that money supply growth came under control. If the present system was the only means of control, then we would have to live with its imperfections.

### Alternative

An alternative method of control, however, is available, which involves the authorities controlling directly the growth of their own monetary liabilities (notes, coin and private sector deposits at the Bank of England). The institutional changes needed to introduce this system would be minimal: MLR could be tied to inter-bank rate; but with a sufficiently large differential to deter the discount houses borrowing constantly; and if necessary bank liquidity requirements might be introduced to replace the 12 per cent reserve asset requirement, though less onerous than



The Bank of England: it uses its discount facilities as a lender of first resort.

### In the first of two articles on monetary control by leading economists

Brian Griffiths, Professor of Banking and International Finance at the City University, takes issue with the official view

those mentioned in the liquidity document.

The Green Paper puts forward five arguments against a monetary base system such as this: that it would necessitate a big change in the structure of the money markets; that it involves operational difficulties because the base could not be determined on a daily basis; that the demand for the base might prove unstable, and lead to unstable monetary growth; that it would involve liability management by banks (bidding in money markets when their liquidity is under pressure); so, artificially driving up short-term interest rates, and that it would take a number of years before it could be established whether or not the system of control was viable.

At present the Bank of England uses its discount facilities as a lender of 'first' resort rather than 'last' resort. It is a high time that this system was changed because what the Bank is effectively doing is to supply the cash necessary to pay the bills of the banking system, and to expand from whichever source it comes—bank lending, public sector borrowing or from external

flows. Changes in the organization of the money markets are perfectly practicable and could be made quite easily.

The operational difficulties of controlling the base are easily exaggerated. Present practice is a poor guide to the future. In a base system the banks would have built up a buffer of cash to protect them against various eventualities as well as a system of forecasting the demand for the base. The Bank would help them to manage their cash balances; in addition, no one is suggesting that the base be controlled on a daily basis. But it is wrong to suggest that it could not be controlled over a number of years fairly reliably.

### Switzerland

The stability of the base has to be judged relative to the stability of the demand for money and the stability of the components of the money supply. In Switzerland, bank lending and external flows in the Swiss franc have been in operation the demand for the base has been

sufficiently stable to render it a viable system of control.

Whether or not it would involve liability management is an open question. The present system does but that is because banks know that through bidding, rates up the Bank is required to supply extra cash to the system. In a system in which banks were competing against each other for limited amounts of cash then, as interest rates began to rise, the amount of cash did not, they would very quickly have a great motive to engage in asset as well as liability management.

It is difficult to argue against the last objection. Of course it takes time to judge the success of any change. But we do know the system works in Switzerland, in any case if we were to adopt this criterion, generally it would be difficult to change anything at all. This argument, therefore, must be discounted to the extent that it involves a large element of the innate conservatism of central bankers.

In my judgment, therefore, the Green Paper's case against a monetary base system of control is not sufficiently strong to carry the day. Certainly the case for a base is much more attractive than the 'indicator' system which the authorities are putting forward. Although it employs the monetary base, it is only a minor

variation of the present system. In fact the monetary base is purely incidental to the system, as the proposal itself shows by making sterling M3 the indicator for change just as well as the base.

The main point is that the method of money supply control is still by price interest rates rather than quantity (base) and as such subject to the same kind of instability as the present system of control. It is for this reason that a comparable system of changing foreign exchange rates—the crawling peg—has never been taken up seriously in the international monetary system.

The central issue in monetary reform is the need for the monetary authorities to give up discretionary control of interest rates. In this connexion the reform of the gilt-edged market is also important. From the point of view of improving the techniques of monetary control, the most important reform would be the sale of gilt-edged stock by tender.

The system could be designed so that there was a weekly tender with a basic amount on offer plus a variable amount which would depend on all those uncertainties which the authorities mention so frequently. As in the United States, the Treasury could also conduct some market research by putting together a special committee of brokers and investors concerned with the question of new public debt instruments such as one-year Treasury bills or indexed bonds is of minor consequence as far as monetary control is concerned.

### Social cost

The case for indexed debt is part of a much bigger argument regarding indexing generally, the crucial argument in its favour being that it would reduce the social cost of controlling inflation as part of a medium-term strategy. As far as monetary control is concerned, the only conceivable case for forcing the authorities to move to a general system of tendering as it would be impossible to fix a tap price for indexed stock.

The very worst outcome to the present system would be the cosmetic tinkering with the present system. However, in view of the Green Paper's objections to the monetary base and the fact that the system it puts forward is a practical non-starter, the present system could be continued in the seeming absence of anything better. If it is, it will mean a repetition of the mistakes of the 1970s in the 1980s.

Next week: Michael Stewart, Reader in Political Economy at University College, London.

## Business Diary profile: The rise and rise of Sir Alex Jarratt

If there were a prize for the most charming industrialist in Britain a leading contender would be Sir Alex Jarratt, chairman and chief executive of the publishers and paper-makers Reed International. Last week he was extending his annual conference in Brighton, his presidency of that body being just one of his many public appointments. This week, he is likely to be seen in steeple mood as the provincial printing dispute menaces Fleet Street.



Behind the urbane exterior lies a tough businessman who at 36 has perhaps yet to reach the peak of a remarkable career both in business and in public life. Sir Alex's name has been mentioned in recent weeks in connexion with the chairman-ship of the BBC. The former civil servant has already turned down the offer of at least one state sector job and is likely to be a future president of the Confederation of British Industry, where he sits as chairman of the quarterly Balance of Power Steering Committee.

It was from this committee that the idea of employers' strike-insurance set afloat last year's CBI conference in Birmingham, confirming the confederation's place in the headlines alongside the TUC.

Four years later he was chairman and chief executive of Reed, by now IPC's parent and, like it, badly in need of reorganization. Reed was then heading for one of the cyclical dips that afflict the paper industry, but Sir Alex kept his head and turned the company round. He has also dispelled a lot of the enthusiasm with which journalists welcomed his arrival. When 1,500 IPC magazine journalists struck for a day recently, he had them locked out.

Sir Alex says that he left the Civil Service because he wanted to do something rather different. He had almost quit five years earlier to join a

merchant bank, although he says that he thoroughly enjoyed his time in Whitehall. Some say that his talent for turning round ailing conglomerates is now largely wasted on a group such as Reed which is running smoothly. This is one reason why his name has been thrown to crop up whenever there is speculation about forthcoming public appointments.

Sir Alex himself says that he finds Reed, as stimulating as ever. 'In terms of enjoyment there are few things to parallel running a publishing company—it's a very exciting thing. Of the speculation he says: 'I am an obvious name to choose on these occasions. It's a useful name to speculate with.' It would certainly seem that there is little chance of Sir Alex moving into state industry, though there are plenty of people who would love to see him there. It is highly critical of the level of government interference in the nationalized industries which he believes, as a result, began to go wrong almost as soon as they were formed.

### OTTOMAN BANK

NOTICE IS HEREBY GIVEN that, in accordance with Article 29 of the Statutes, the ANNUAL GENERAL MEETING of Shareholders will be held on THURSDAY, the 5th June, 1980, in the GREAT EASTERN HOTEL (HAMILTON ROOM), LIVERPOOL STREET, LONDON, E.C.2, at 12.30 p.m. to receive a Report from the Committee with the Accounts for the year ended 31st December, 1979; to propose a Dividend; to elect definitively two Members of Committee in accordance with Article 16 of the Statutes; and to fix the remuneration of Members of Committee in accordance with Article 18 of the Statutes.

By Article 27 of the Statutes the General Meeting is composed of holders, whether in person or by proxy or both together, of at least thirty shares, who, to be entitled to take part in the Meeting, must deposit their shares and, as may be necessary, their proxies, at the Head Office of the Company in Istanbul or at any of the various branches or offices abroad (in London at 2/3 Philip Lane, EC3M 8AQ; and in Paris at 7 rue Meyerbeer, 75009) at least ten days before the date fixed for the Meeting.

The Report of the Committee and the Accounts which will be presented to the General Meeting are available to Shareholders at the Head Office in Istanbul and at the offices in London and Paris.

R. A. SUTCH  
Secretary to the Committee

6th May, 1980.



## FINANCIAL NEWS

## Marshall Cavendish suffers setback

Last year profits of Marshall Cavendish, the paperback publisher, collapsed from £1.73m to £272,000, after second-half losses of £274,000. However, the group claims that unaudited pre-tax profits for the first three months of this year amount to more than £400,000.

Last year's setback is blamed in part on the ITV dispute, which caused the group to cancel the whole of its autumn paperback programme, and in part on problems in the book publishing division, exacerbated by the strength of sterling, which is estimated to have knocked £300,000 off profits.

The group's overdraft rose to £1.8m last year, but should come down significantly as a result of a much improved result this year, according to the chairman. Despite the second half setback, the group is to pay a final dividend of 0.75p gross, making 1.5p gross for the year, as against 6.5p last time.

TENDERS MUST BE LODGED NOT LATER THAN 10.00 A.M. ON THURSDAY, 5TH MAY 1980 AT THE BANK OF ENGLAND, NEW ISSUES, WATLING STREET, LONDON EC4A 3AA, OR NOT LATER THAN 2.30 P.M. ON WEDNESDAY, 7TH MAY 1980 AT ANY BRANCH OF THE BANK OF ENGLAND OR AT THE GLASGOW AGENCY OF THE BANK OF ENGLAND. TENDERS MUST BE IN SEALED ENVELOPES MARKED "EXCHEQUER TENDER".

ISSUE BY TENDER OF £1,000,000,000

## 13½ per cent EXCHEQUER STOCK, 1992

MINIMUM TENDER PRICE £96.00 PER CENT

## PAYABLE AS FOLLOWS:

Deposit with tender	£20.00 per cent
On Friday, 13th June, 1980	£30.00 per cent
On Friday, 11th July 1980	Balance of purchase money

INTEREST PAYABLE HALF-YEARLY ON 22ND MARCH AND 22ND SEPTEMBER

This Stock is an investment falling within Part II of the First Schedule to the Finance Act 1963. Application has been made to the Council of the Stock Exchange for the Stock to be admitted to the Official List.

THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND are authorised to receive tenders for the above Stock.

The principal of and interest on the Stock will be a charge on the National Loans Fund and will be secured by the Consolidated Fund of the United Kingdom.

The Stock will be repaid as per 22nd September 1992.

The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable in multiples of one new penny, by instrument in writing in accordance with the Stock Transfer Act 1953. Transfers will be free of stamp duty.

Interest will be payable half-yearly on 22nd March and 22nd September. Income tax will be deducted from payments of more than 5p per annum. Interest warrants will be issued by the Bank of England. The rate of interest will be 13½ per cent of the Stock.

Tenders must be lodged not later than 10.00 a.m. on Thursday, 5th May 1980 at the Bank of England, New Issues, Watling Street, London EC4A 3AA, or not later than 2.30 p.m. on Wednesday, 7th May 1980 at any branch of the Bank of England or at the Glasgow Agency of the Bank of England. Each tender must be accompanied by a deposit of £20.00 per cent of the nominal value of the Stock. Such deposit must be made in cash or by cheque payable to the order of the Bank of England. The deposit will be returned to the tenderer if the tender is not accepted, or it will be applied towards the purchase of the Stock if the tender is accepted. The balance of the purchase price will be paid on 11th July 1980.

A separate cheque representing a deposit of £20.00 per cent of the NOMINAL amount tendered for must accompany each tender. Cheques must be drawn on the bank in which the tender is made, and must be payable to the order of the Bank of England. Tenders must be in sealed envelopes marked "Exchequer Stock" and must be accompanied by a deposit of £20.00 per cent of the nominal value of the Stock.

Amount of Stock tendered for

£100-£200,000	£100
£200,000-£500,000	£200
£500,000-£1,000,000	£500
£1,000,000 or greater	£1,000

Mr. Mervyn Taylor, Treasurer, reserves the right to reject any tender or to allot a less amount than that tendered for. If undersubscribed the Stock will be allotted at the minimum price to the tenderer, and the balance of the amount tendered will be returned to the tenderer. The tenderer will be notified of the result of the tender by the Bank of England. The tenderer will be notified of the result of the tender by the Bank of England. The tenderer will be notified of the result of the tender by the Bank of England.

Letters of allotment will be sent to the tenderer, being the only form in which the Stock may be transferred. The letters of allotment will be sent to the tenderer, being the only form in which the Stock may be transferred. The letters of allotment will be sent to the tenderer, being the only form in which the Stock may be transferred.

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## THIS FORM MAY BE USED

## TENDER FORM

This form must be lodged not later than 10.00 a.m. on Thursday, 5th May 1980 at the Bank of England, New Issues, Watling Street, London EC4A 3AA, or not later than 2.30 p.m. on Wednesday, 7th May 1980 at any branch of the Bank of England or at the Glasgow Agency of the Bank of England. Tenders must be in sealed envelopes marked "Exchequer Tender".

ISSUE BY TENDER OF £1,000,000,000

## 13½ per cent Exchequer Stock, 1992

MINIMUM TENDER PRICE £96.00 PER CENT

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

I/We tender in accordance with the terms of the prospectus dated 2nd May 1980 as follows:

Amount of above-mentioned Stock tendered for, being a minimum of £100 and in a multiple as follows:	Multiple	AMOUNT OF STOCK
£100-£200,000	£100	£
£200,000-£500,000	£200	£
£500,000-£1,000,000	£500	£
£1,000,000 or greater	£1,000	£

The price tendered for £100 Stock, being a multiple of 25p and not less than the minimum tender price of £96.00.

I/We hereby certify that the information given in this tender form is true and correct to the best of my/our knowledge and belief.

I/We request that my/our tender be accepted in respect of Stock allotted to me/us in the amount of my/our tender.

SIGNATURE.....

of, or on behalf of, tenderer

PLEASE USE BLOCK LETTERS

MR/MRS MISS FORENAME(S) IN FULL SURNAME

FULL POSTAL ADDRESS:-

POST-TOWN COUNTY POSTCODE

STAMP OF LODGING AGENT (if any)

The price tendered must be a multiple of 25p and not less than the minimum tender price. If no price is stated, the tender will be treated as being for the minimum tender price.

A separate cheque must accompany each tender. Cheques must be drawn on the bank in which the tender is made, and must be payable to the order of the Bank of England.

Letters of allotment will be sent to the tenderer, being the only form in which the Stock may be transferred.

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## Mettoy halves final as profits slump

By Catherine Gunn

The recession in the toy industry has claimed a fresh victim in toy group Mettoy. Its pretax profits collapsed from £3.64m in 1978 to £223,000 in 1979.

Adding profits fell back from £2.76m to £1.54m, while interest costs soared from £340,000 to £821,000. Sales, meanwhile, edged up from £31.2m to £32.5m.

A tax credit of £435,000, raises attributable profits to £1.6m, against £2.6m in 1978. The final dividend has been more than halved to give a full-year gross payout of 2.64p, against an equivalent 1978 gross payment of 3.37p, adjusted for the scrip issue.

At the interim stage, when pretax profits were already more than halved, Mettoy was hoping to make up some of the lost ground with 1979 Christmas sales. In the absence of that, improvement, increased borrowings and higher interest charges took a heavy toll. Other costs have also risen, and the growing strength of sterling in 1979 hit the company's exports.

On Thursday the Department of the Environment will be releasing all the figures including housing completions and starts for March. Finally, on Thursday the Department of Industry announces the provisional figures of vehicle production for March.

In a busy week for retailers, Mothercare is expected to present one of the most encouraging sets of results today. Most analysts are going for full-year profits of £21m compared with last year's £15.7m. They

believe that the group has reduced its United States losses by half to around £800,000, having cleared up the problems in the 50 Mothercare shops and the mother-to-be shops.

Expansion plans, which include opening a further 50 baby shops to bring the total to 100 by the end of the current year, have also encouraged the analysts, although some are a little more concerned about the impact of starting-up costs. On the United Kingdom side, profits are ahead, despite the

VAT increase last summer, because 60 per cent of the merchandise is VAT free, and the baby boom of the last two years has also helped to bring about a 20 per cent sales increase.

As a result of a change in accounting procedures, first-quarter figures from Smith & Nephew today will not be comparable with the same period last year.

But, as earlier indicated by the chairman, pre-tax profits are expected to roll out roughly in line with the last year's figure of £5m.

Full-year estimates for P & O

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## Capitalization and week's change

§ Forward bargains are permitted on two previous days

(Current market price multiplied by the number of shares in issue for the stock quoted)

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# Legal Appointments

## Commercial Lawyer

London £13,000

International Military Services Limited is a British government owned company, engaged in the supply of defence equipment, technical support and major engineering projects for overseas governments.

Increased company activity has created a vacancy for a Commercial Lawyer to provide in-house legal advice on current and new business and to assist in contract preparation, negotiation and completion. Liaison is maintained when necessary with externally retained Solicitors.

The person appointed will take day-to-day instructions from the two Commercial General Managers and their staff while professional responsibility will be to the Company's Senior Lawyer, who is also Company Secretary.

Candidates, male or female must be Barristers called to the English Bar or Solicitors admitted in England and must have several years' post-qualification experience in a commercial environment, relevant to the company's activities and preferably against a background of high value contracts with technical content. Understanding of company finance, including EC/GD insurance, would be an added advantage.

Benefits include a non-contributory pension scheme, BUPA, a generous annual holiday entitlement and personal accident insurance.

Please write with details of qualifications and experience to

Mr. P. M. Cross, Personnel Manager,  
International Military Services Limited,  
4 Abbey Orchard Street,  
London SW1P 2JL.

IMS

International  
Military Services  
Limited

## Contracts Formulation

### International Offshore Projects

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